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Form 20-F

PETROBRAS - PETROLEO BRASILEIRO SA - PBR.A

Filed: April 02, 2012 (period: December 31, 2011)

Annual and transition report of foreign private issuers under sections 13 or 15(d)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F
ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2011

Commission File Number 001-15106
Petróleo Brasileiro S.A.—Petrobras
(Exact name of registrant as specified in its charter)

Commission File Number: 001-33121
Petrobras International Finance Company
(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
(Jurisdiction of incorporation or organization)

Cayman Islands
(Jurisdiction of incorporation or organization)

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(Name, telephone, e-mail and/or facsimile number and address of company contact person) (Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Name of each exchange on which registered:</u>
Petrobras Common Shares, without par value* Petrobras American Depositary Shares, or ADSs (evidenced by American Depositary Receipts, or ADRs), each representing two Common Shares	New York Stock Exchange*
Petrobras Preferred Shares, without par value* Petrobras American Depositary Shares (as evidenced by American Depositary Receipts), each representing two Preferred Shares	New York Stock Exchange New York Stock Exchange*
2.875% Global Notes due 2015, issued by PifCo	New York Stock Exchange
6.125% Global Notes due 2016, issued by PifCo	New York Stock Exchange
3.875% Global Notes due 2016, issued by PifCo	New York Stock Exchange
3.500% Global Notes due 2017, issued by PifCo	New York Stock Exchange
5.875% Global Notes due 2018, issued by PifCo	New York Stock Exchange
7.875% Global Notes due 2019, issued by PifCo	New York Stock Exchange
5.75% Global Notes due 2020, issued by PifCo	New York Stock Exchange
5.375% Global Notes due 2021, issued by PifCo	New York Stock Exchange
6.875% Global Notes due 2040, issued by PifCo	New York Stock Exchange
6.750% Global Notes due 2041, issued by PifCo	New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

TITLE OF EACH CLASS:

9.125% Global Notes due 2013, issued by PifCo
7.75% Global Notes due 2014, issued by PifCo
8.375% Global Notes due 2018, issued by PifCo
4.875% Global Notes due 2018, issued by PifCo
5.875% Global Notes due 2022, issued by PifCo
6.250% Global Notes due 2026, issued by PifCo

The number of outstanding shares of each class of stock of Petrobras and PifCo as of December 31, 2011 was:

7,442,454,142 Petrobras Common Shares, without par value
5,602,042,788 Petrobras Preferred Shares, without par value
300,050,000 PifCo Common Shares, at par value U.S.\$1 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act.

Yes No

If this report is an annual or transitional report, indicate by check mark if the registrant is not required to file reports pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the

preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes (Petrobras) No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer (Petrobras) Accelerated filer Non-accelerated filer (PifCo)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S.GAAP International Financial Reporting Standards as issued by the International Accounting Standards

Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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FORWARD-LOOKING STATEMENTS

Many statements made in this annual report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act), that are not based on historical facts and are not assurances of future results. Many of the forward-looking statements contained in this annual report 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:

- our marketing and expansion strategy;
- our exploration and production activities, including drilling;
- our activities related to refining, import, export, transportation of petroleum, natural gas and oil products, petrochemicals, power generation, biofuels and other sources of renewable energy;
- our projected and targeted capital expenditures and investments and other costs, commitments and revenues;
- our liquidity and sources of funding;
- development of additional revenue sources; and
- the impact, including cost, of acquisitions.

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 factors. These factors include, among other things:

- our ability to obtain financing;
- general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates;
- our ability to find, acquire or gain access to additional reserves and to develop our current reserves successfully;
- global economic conditions;
- 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;

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

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- the cost and availability of adequate insurance coverage; and
- other factors discussed below under “Risk Factors.”

For additional information on factors that could cause our actual results to differ from expectations reflected in forward-looking statements, please see “Risk Factors” in this annual report.

All forward-looking statements attributed to us or a person acting on our behalf are 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.

The crude oil and natural gas reserve data presented or described in this annual report are only estimates and our actual production, revenues and expenditures with respect to our reserves may materially differ from these estimates.

This is the annual report of both Petróleo Brasileiro S.A.—Petrobras (Petrobras) and its direct wholly owned Cayman Islands subsidiary, Petrobras International Finance Company (PifCo). PifCo has become our finance subsidiary functioning as a vehicle to raise funds for us primarily through the issuance of debt securities in the international capital markets, among other means.

Unless the context otherwise requires, the terms “Petrobras,” “we,” “us,” and “our” refer to Petróleo Brasileiro S.A.—Petrobras and its consolidated subsidiaries and special purpose companies, including Petrobras International Finance Company. The term “PifCo” refers to Petrobras International Finance Company and its subsidiaries.

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GLOSSARY OF PETROLEUM INDUSTRY TERMS

Unless the context indicates otherwise, the following terms have the meanings shown below:

ANEEL	The <i>Agência Nacional de Energia Elétrica</i> (National Electrical Energy Agency), or ANEEL, is the federal agency that regulates the electricity industry in Brazil.
ANP	The <i>Agência Nacional de Petróleo, Gás Natural e Biocombustíveis</i> (National Petroleum, Natural Gas and Biofuels Agency), or ANP, is the federal agency that regulates the oil, natural gas and renewable fuels industry in Brazil.
°API	Standard measure of oil density developed by the American Petroleum Institute.
Barrels	Barrels of crude oil.
BSW	Basic sediment and water, a measurement of the water and sediment content of flowing crude oil.
Catalytic cracking	A process by which hydrocarbon molecules are broken down (cracked) into lighter fractions by the action of a catalyst.
Coker	A vessel in which bitumen is cracked into its fractions.
Condensate	Light hydrocarbon substances produced with natural gas, which condense into liquid at normal temperature and pressure.
CNPE	The <i>Conselho Nacional de Política Energética</i> (National Energy Policy Council), or CNPE, is an advisory body of the President of the Republic responsible for formulating energy policies and guidelines.
Deep water	Between 300 and 1,500 meters (984 and 4,921 feet) deep.
Distillation	A process by which liquids are separated or refined by vaporization followed by condensation.
EWT	Extended well test.
Exploration Area	A region in Brazil under a regulatory contract without a known hydrocarbon accumulation or with a hydrocarbon accumulation that has not yet been declared commercial.
FPSO	Floating Production, Storage and Offloading Unit.
Heavy crude oil	Crude oil with API density less than or equal to 22°.
Intermediate crude oil	Crude oil with API density higher than 22° and less than or equal to 31°.
Light crude oil	Crude oil with API density higher than 31°.
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas, which is a mixture of saturated and unsaturated hydrocarbons, with up to five carbon atoms, used as domestic fuel.

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MME	The federal Ministry of Mines and Energy, or MME.
NGLs	Natural gas liquids, which are light hydrocarbon substances produced with natural gas, which condense into liquid at normal temperature and pressure.
Oil	Crude oil, including NGLs and condensates.
Pre-salt reservoir	A geological formation containing oil or natural gas deposits located beneath a salt layer.
Post-salt reservoir	A geological formation containing oil or natural gas deposits located above a salt layer.
Proved reserves	<p>Consistent with the definitions in the SEC's Amended Rule 4-10(a) of Regulation S-X, proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price is the average price during the 12-month period prior to December 31, 2011, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The project to extract the hydrocarbons must have commenced or we must be reasonably certain that we will commence the project within a reasonable time.</p> <p>Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the “proved” classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.</p>
Proved developed reserves.	Proved developed reserves are reserves that can be expected to be recovered: (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.
Proved undeveloped reserves	<p>Proved undeveloped reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.</p> <p>Undrilled locations are classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time. Proved undeveloped reserves do not include reserves attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology establishing reasonable certainty.</p>

SS	Semi-submersible unit.
Synthetic oil and synthetic gas	A mixture of hydrocarbons derived by upgrading (i.e., chemically altering) natural bitumen from oil sands, kerogen from oil shales, or processing of other substances such as natural gas or coal. Synthetic oil may contain sulfur or other non-hydrocarbon compounds and has many similarities to crude oil.
TLWP	Tension Leg Wellhead Platform.
Total depth	Total depth of a well, including vertical distance through water and below the mudline.
Ultra-deep water	Over 1,500 meters (4,921 feet) deep.

CONVERSION TABLE

1 acre	=	0.004047 km ²	
1 barrel	=	42 U.S. gallons	= Approximately 0.13 t of oil
1 boe	=	1 barrel of crude oil equivalent	= 6,000 cf of natural gas
1 m ³ of natural gas	=	35.315 cf	= 0.0059 boe
1 km	=	0.6214 miles	
1 km ²	=	247 acres	
1 meter	=	3.2808 feet	
1 t of crude oil	=	1,000 kilograms of crude oil	= Approximately 7.5 barrels of crude oil (assuming an atmospheric pressure index gravity of 37° API)

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ABBREVIATIONS

bbbl	Barrels
bn	Billion (thousand million)
bnbbl	Billion barrels
bncf	Billion cubic feet
bnm ³	Billion cubic meters
boe	Barrels of oil equivalent
bbbl/d	Barrels per day
cf	Cubic feet
GOM	Gulf of Mexico
GW	Gigawatts
GWh	One gigawatt of power supplied or demanded for one hour
km	Kilometer
km ²	Square kilometers
m ³	Cubic meter
mbbl	Thousand barrels
mbbl/d	Thousand barrels per day
mboe	Thousand barrels of oil equivalent
mboe/d	Thousand barrels of oil equivalent per day
mcf	Thousand cubic feet
mcf/d	Thousand cubic feet per day
mm ³	Thousand cubic meters
mm ³ /d	Thousand cubic meters per day
mmbbl	Million barrels
mmbbl/d	Million barrels per day
mmbboe	Million barrels of oil equivalent
mmbboe/d	Million barrels of oil equivalent per day
mmcf	Million cubic feet
mmcf/d	Million cubic feet per day
mmm ³	Million cubic meters
mmm ³ /d	Million cubic meters per day
mmt/y	Million metric tons per year
MW	Megawatts
MWavg	Amount of energy (in MWh) divided by the time (in hours) in which such energy is produced or consumed
MWh	One megawatt of power supplied or demanded for one hour
ppm	Parts per million
P\$	Argentine pesos
R\$	Brazilian <i>reais</i>
t	Metric ton
Tcf	Trillion cubic feet
U.S.\$	United States dollars
/d	Per day
/y	Per year

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PRESENTATION OF FINANCIAL INFORMATION

In this annual report, references to “real,” “reais” or “R\$” are to Brazilian reais and references to “U.S. dollars” or “U.S.\$” are to the United States dollars. Certain figures included in this annual report have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

Petrobras

The audited consolidated financial statements of Petrobras and our consolidated subsidiaries as of and for each of the three years ended December 31, 2011, 2010 and 2009 and the accompanying notes contained in this annual report have been presented in U.S. dollars and prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). See Item 5. “Operating and Financial Review and Prospects” and Note 2.1 to our audited consolidated financial statements. Petrobras applies IFRS in its statutory financial statements prepared in accordance with Brazilian Corporate Law and regulations promulgated by the *Comissão de Valores Mobiliários* (Securities and Exchange Commission of Brazil, or CVM). Brazilian Corporate Law was amended in 2007 to permit accounting practices adopted in Brazil (Brazilian GAAP) to converge with IFRS.

We discontinued U.S. GAAP and adopted IFRS, as issued by the IASB, as the basis for the preparation and presentation of our financial statements and reporting with the SEC beginning with our financial statements as of and for the year ending December 31, 2011 presented in this annual report. This annual report on Form 20-F and all of our future reports filed with the SEC will only present financial information prepared in accordance with IFRS.

We first adopted IFRS, as issued by IASB, for our financial statements for the year December 31, 2010, which were filed with the local securities regulator in Brazil and made available to the public. Our transition date from Brazilian GAAP to IFRS was January 1, 2009 and we used certain elective transitional treatments under IFRS 1 in such financial statements filed with the local securities regulator in Brazil.

Since we have previously adopted IFRS in Brazil, we are not a “first time adopter” of IFRS for purposes of this annual report on Form 20-F. We are presenting bridging disclosures to IFRS in the form of a reconciliation from U.S. GAAP to IFRS as issued by the IASB of our net income for the years ended December 31, 2010 and 2009 and our shareholders’ equity at December 31, 2010. This reconciliation is included in Note 36 in our audited consolidated financial statements.

Our IFRS financial statements filed with the local securities regulator in Brazil use the *real* as its presentation currency, while the financial statements included herein use the U.S. Dollar as its presentation currency. As described more fully in Note 2.3 to our audited consolidated financial statements, the U.S. dollar amounts as of the dates and for the periods presented in our audited consolidated financial statements have been recalculated or translated from the real amounts in accordance with the criteria set forth in IAS 21 – “The effects of changes in foreign exchange rates.” U.S. dollar amounts presented in this annual report have been translated from reais at the period-end exchange rate for balance sheet items and the average exchange rate prevailing during the period for income statement and cash flow items.

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Unless the context otherwise indicates:

- historical data contained in this annual report that were not derived from the audited consolidated financial statements have been translated from reais on a similar basis;
- forward-looking amounts, including estimated future capital expenditures and investments, have all been based on our Petrobras 2020 Strategic Plan, which covers the period from 2009 to 2020, and on our 2011-2015 Business Plan, and have been projected on a constant basis and have been translated from reais at an estimated average exchange rate of R\$1.73 to U.S.\$1.00, in accordance with our 2011-2015 Business Plan. In addition, in accordance with our 2011-2015 Business Plan, future calculations involving an assumed price of crude oil have been calculated using a Brent crude oil price of between U.S.\$80 and U.S.\$95 from 2012 through 2015, adjusted for our quality and location differences, unless otherwise stated; and
- estimated future capital expenditures and investments are based on the most recently budgeted amounts, which may not have been adjusted to reflect all factors that could affect such amounts.

PifCo

PifCo has in the past engaged in both commercial operations and in financing activities for us. In August 2011, as part of its transition to become our finance subsidiary, PifCo transferred two of its wholly owned subsidiaries – Petrobras Europe Limited (PEL) and Petrobras Singapore Private Limited (PSPL) – to Petrobras International Braspetro B.V (PIB BV). PifCo ceased its commercial operations altogether and has become our finance subsidiary, functioning as a vehicle to raise funds for us primarily through the issuance of debt securities in the international capital markets, among other means.

PifCo's functional currency is the U.S. dollar. PifCo's audited consolidated financial statements as of and for each of the years ended December 31, 2011, 2010 and 2009 and the accompanying notes contained in this annual report have been presented in U.S. dollars and prepared in accordance with IFRS and include PifCo's two wholly owned subsidiaries: Petrobras Finance Limited (PFL) and Bear Insurance Company (BEAR).

PRESENTATION OF INFORMATION CONCERNING RESERVES

Petrobras continues to utilize the SEC rules for estimating and disclosing oil and gas reserve quantities included in this annual report. In accordance with these rules, adopted by Petrobras at year-end 2009, the year-end 2011 and 2010 reserve volumes have been estimated using the average prices calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period and include non-traditional reserves, such as synthetic oil and gas. In addition, the amended rules also adopted a reliable technology definition that permits reserves to be added based on field-tested technologies. The adoption of the SEC's rules for estimating and disclosing oil and gas reserves and the FASB's issuance of the Accounting Standards Update No. 2010-03 "Oil and Gas Reserve Estimation and Disclosure" in January 2010 generated no material impact on our reported reserves or on our consolidated financial position or results of operations.

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DeGolyer and MacNaughton (D&M) used our reserves estimates to conduct a reserves audit of 95.5% of the net proved crude oil, condensate and natural gas reserves as of December 31, 2011 from certain properties we own in Brazil and offshore from Brazil. In addition, D&M used its own estimates of our reserves to conduct a reserves evaluation of 53% of the net proved crude oil, NGL and natural gas reserves as of December 31, 2011 from certain properties we own in South America (outside of Brazil). The reserves estimates were prepared in accordance with the reserves definitions of Rule 4-10(a) of Regulation S-X of the SEC. All reserves estimates involve some degree of uncertainty. See Item 3. “Key Information—Risk Factors—Risks Relating to Our Operations” for a description of the risks relating to our reserves and our reserve estimates.

On January 13, 2012, we filed reserve estimates for Brazil with the ANP, in accordance with Brazilian rules and regulations, totaling net volumes of 13.22 billion barrels of crude oil and condensate and 14.93 trillion cubic feet of natural gas. The reserve estimates filed with the ANP and those provided herein differ by approximately 28% in terms of oil equivalent. This difference is due to: (i) the ANP requirement to estimate proved reserves through the technical-economical abandonment of production wells, as opposed to limiting reserve estimates to the life of the concession contracts as required by Rule 4-10 of Regulation S-X; and (ii) different technical criteria for booking proved reserves, including the use of current oil prices as opposed to the SEC requirement that the 12-month average price be used to determine the economic producibility of reserves in Brazil.

We also file reserve estimates from our international operations with various governmental agencies under the guidelines of the Society of Petroleum Engineers, or SPE. The aggregate reserve estimates from our international operations, under SPE guidelines, amounted to 0.471 billion barrels of crude oil and NGLs and 1.406 billion cubic feet of natural gas, which is approximately 14% higher than the reserve estimates calculated under Regulation S-X, as provided herein. This difference occurs because of different technical criteria for booking proved reserves, including the use of current oil prices as opposed to the SEC requirement that the 12-month average price be used to determine the economic producibility of international reserves. In addition, we have not yet included the volumes from the Gulf of Mexico fields that do not have a production history available for analogous reservoirs.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

Selected Financial Data

We discontinued U.S. GAAP and adopted IFRS, as issued by the IASB, as the basis for the preparation and presentation of our financial statements and reporting with the SEC beginning with our financial statements as of and for the year ending December 31, 2011 presented in this annual report. This annual report on Form 20-F and all of our future reports filed with the SEC will only present financial information prepared in accordance with IFRS.

We first adopted IFRS, as issued by IASB, for our financial statements for the year December 31, 2010, which were filed with the local securities regulator in Brazil and made available to the public. Our transition date from Brazilian GAAP to IFRS was January 1, 2009 and we used certain elective transitional treatments under IFRS 1 in such financial statements filed with the local securities regulator in Brazil.

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Since we have previously adopted IFRS in Brazil, we are not a “first time adopter” of IFRS for purposes of this annual report on Form 20-F. We are presenting bridging disclosures to IFRS in the form of a reconciliation from U.S. GAAP to IFRS as issued by the IASB of our net income for the years ended December 31, 2010 and 2009 and our shareholders’ equity at December 31, 2010. This reconciliation is included in Note 36 in our audited consolidated financial statements.

Our IFRS financial statements filed with the local securities regulator in Brazil use the *real* as its presentation currency, while the financial statements included herein use the U.S. Dollar as its presentation currency.

This section contains selected consolidated financial data, presented in U.S. dollars and prepared in accordance with IFRS as of and for each of the three years ended December 31, 2011, 2010 and 2009, derived from our audited consolidated financial statements, which were audited by KPMG Auditores Independentes.

The summary financial data prepared in accordance with IFRS is not comparable to the summary financial data prepared in accordance with U.S. GAAP in our prior annual reports on Form 20-F.

The information below should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements and the accompanying notes and Item 5. “Operating and Financial Review and Prospects.”

BALANCE SHEET DATA - PETROBRAS

IFRS Summary Financial Data

	As of December 31,		
	2011	2010	2009
	(U.S.\$ million)		
Assets:			
Cash and cash equivalents	19,057	17,655	16,222
Accounts receivable, net	11,756	10,845	8,147
Inventories	15,165	11,808	11,103
Other current assets	18,614	23,251	6,706
Non-current assets	21,957	22,637	19,991
Investments in non-consolidated companies and other investments	6,530	6,957	4,620
Property, plant and equipment, net	182,465	168,104	128,754
Intangible assets	43,866	48,937	3,899
Total assets	319,410	310,194	199,442
Liabilities and shareholders’ equity:			
Total current liabilities	36,364	33,577	31,067
Total long-term liabilities(1)	33,218	30,251	23,809
Long-term debt(2)	72,718	60,417	48,963
Total liabilities	142,300	124,245	103,839
Shareholders’ equity			
Shares authorized and issued:			
Paid in capital	107,355	107,341	33,790
Reserves and other comprehensive income	68,483	76,769	60,579
Petrobras’ shareholders’ equity	175,838	184,110	94,369
Non-controlling interest	1,272	1,839	1,234
Total equity	177,110	185,949	95,603
Total liabilities and shareholders’ equity	319,410	310,194	199,442

(1) Excludes long-term debt.

(2) Excludes current portion of long-term debt.

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INCOME STATEMENT DATA - PETROBRAS

IFRS Summary Financial Data

	For the Year Ended December 31,		
	2011	2010	2009
	(U.S.\$ million, except for share and per share data)		
Sales revenues	145,915	120,452	91,146
Net income before financial results, profit sharing and income taxes	27,285	26,372	22,923
Net income for the year ⁽¹⁾⁽²⁾	20,121	20,055	15,308
Weighted average number of shares outstanding:			
Common	7,442,454,142	5,683,061,430	5,073,347,344
Preferred	5,602,042,788	4,189,764,635	3,700,729,396
Net income before financial results, profit sharing and income taxes per:			
Common and Preferred Shares	2.09	2.67	2.61
Common and Preferred ADS	4.18	5.34	5.22
Basic and diluted earnings per: ⁽¹⁾			
Common and Preferred Shares	1.54	2.03	1.74
Common and Preferred ADS	3.08	4.06	3.48
Cash dividends per: ⁽³⁾			
Common and Preferred shares	0.53	0.70	0.59
Common and Preferred ADS	1.06	1.40	1.18

- (1) Our net income represents our income from continuing operations.
(2) Excluding non-controlling interests.
(3) Represents dividends paid during the year.

PifCo

PifCo discontinued U.S. GAAP and adopted IFRS, as issued by the IASB, as the basis for the preparation and presentation of its financial statements and reporting with the SEC beginning with its financial statements as of and for the year ending December 31, 2011 presented in this annual report. This annual report on Form 20-F and all of PifCo's future reports filed with the SEC will only present financial information prepared in accordance with IFRS. As our wholly-owned subsidiary, PifCo prepared financial statements in accordance with IFRS, as issued by the IASB, for purposes of our financial statements as of and for the year ended December 31, 2010 which were filed with the local securities regulator in Brazil. There was no effect on PifCo's stockholder's deficit as a result of the transition from U.S. GAAP to IFRS as described in Note 1 in PifCo's audited consolidated financial statements.

The summary financial data prepared in accordance with IFRS is not comparable to the summary financial data prepared in accordance with U.S. GAAP in PifCo's prior annual reports on Form 20-F.

This section contains selected consolidated financial data, presented in U.S. dollars and prepared in accordance with IFRS as of and for each of the three years ended December 31, 2011, 2010 and 2009, derived from PifCo's audited consolidated financial statements, which were audited by KPMG Auditores Independentes.

The information below should be read in conjunction with, and is qualified in its entirety by reference to, PifCo's audited consolidated financial statements and the accompanying notes and Item 5. "Operating and Financial Review and Prospects."

[TABLE OF CONTENTS](#)**BALANCE SHEET DATA - PifCo****IFRS Summary Financial Data**

	As of December 31,		
	2011	2010	2009
	(U.S.\$ million)		
Assets:			
Total current assets	6,516	11,800	21,773
Property and equipment, net- discontinued operations	–	1	1
Total non-current assets	16,998	6,125	4,523
Total assets	23,514	17,926	26,297
Liabilities and stockholders' deficit:			
Total current liabilities	3,311	5,891	13,174
Total long-term liabilities(1)	20,930	12,377	13,203
Total liabilities	24,241	18,268	26,377
Total stockholder's deficit	(727)	(342)	(80)
Total liabilities and stockholder's deficit	23,514	17,926	26,297

(1) Excludes current portion of long-term debt.

INCOME STATEMENT DATA - PifCo**IFRS Summary Financial Data**

	For the Year Ended December 31,		
	2011	2010	2009
	(U.S.\$ million)		
Financial results, net	(477)	(724)	(1,296)
Net income from discontinuing operations	119	476	1,794
Net (loss)/income for the year	(376)	(261)	487

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RISK FACTORS

Risks Relating to Our Operations

Exploration and production of oil in deep and ultra-deep waters involves risks.

Exploration and production of oil involves risks that are increased when carried out in deep and ultra-deep waters. The majority of our exploration and production activities are carried out in deep and ultra-deep waters, and the proportion of our deepwater activities will remain constant or increase due to the location of our pre-salt reservoirs in deep and ultra-deep waters. Our activities, particularly in deep and ultra-deep waters, present several risks, such as the risk of oil spills, explosions in platforms and drilling operations and natural disasters. The occurrence of any of these events or other incidents could result in personal injuries, loss of life, severe environmental damage with the resulting containment, clean-up and repair expenses, equipment damage and liability in civil and administrative proceedings.

Our insurance policies do not cover all liabilities, and insurance may not be available for all risks. There can be no assurance that incidents will not occur in the future, that insurance will adequately cover the entire scope or extent of our losses or that we will not be found liable in connection with claims arising from these and other events.

International prices of crude oil, oil products and natural gas may impact us differently than our competitors and may cause our results to differ from our competitors in periods of higher international prices.

The majority of our revenue is derived primarily from sales of crude oil and oil products in Brazil and, to a lesser extent, natural gas. Changes in crude oil prices typically result in changes in prices for oil products and natural gas. Historically, international prices for crude oil, oil products and natural gas have fluctuated widely as a result of many factors. These factors include:

- global and regional economic and geopolitical developments in crude oil producing regions, particularly in the Middle East and Africa;
- the ability of the Organization of Petroleum Exporting Countries (OPEC) to set and maintain crude oil production levels and defend prices;
- global and regional supply and demand for crude oil, oil products and natural gas;
- global financial crises, such as the global financial crisis of 2008;
- competition from other energy sources;
- domestic and foreign government regulations; and
- weather conditions.

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Our pricing policy in Brazil is intended to be at parity with international product prices over the long term, but we do not adjust our prices for diesel, gasoline and LPG to immediately reflect price changes in the international markets. Significant and sustained decreases in the price of crude oil could have a negative impact on our revenues and may cause us to reduce or alter the timing of our capital expenditures and investments, and this could adversely affect our production forecasts in the medium term and our reserves estimates in the future. Thus, substantial or extended declines in international crude oil prices may have a material adverse effect on our business, results of operations and financial condition and the value of our proved reserves. When, however, we are a net importer by volume of oil and oil products, increases in the price of crude oil may have a negative impact on our costs of sales and margins if we are required to import oil and oil products to meet Brazilian demand, since the cost to acquire such products may exceed the selling price in Brazil. Additionally, material rapid or sustained increases in the international price of crude oil and oil products may also result in reduced downstream margins for us and negatively affect our results. We are also exposed to this risk during periods of depreciation of the real in relation to the U.S. dollar, as we sell oil and oil products in Brazil in reais and international prices for crude oil and oil products are set in U.S. dollars. A depreciation of the real reduces our prices in U.S. dollar terms.

Our ability to maintain our long-term growth objectives for oil production depends on our ability to successfully develop our reserves, and failure to do so could prevent us from achieving our long-term goals for growth in production.

Our ability to maintain our long-term growth objectives for oil production, including those defined in our 2011-2015 Business Plan, is highly dependent upon our ability to successfully develop our existing reserves and, in the long term, upon our ability to obtain additional reserves. The development of the sizable reservoirs in deep and ultra-deep waters, including the pre-salt reservoirs that have been assigned to us by the Brazilian federal government, has demanded and will continue to demand significant capital investments. A primary operational challenge, particularly for the pre-salt reservoirs, will be allocating our resources to build the necessary infrastructure at considerable distances from the shore and securing a qualified labor force and offshore oil services to develop reservoirs of such size and magnitude in a timely manner, a challenge that is particularly heightened by the fact that we are required to acquire a minimum level of goods and services from Brazilian providers. We cannot guarantee that we will have or will be able to obtain, in the time frame that we expect, sufficient resources necessary to exploit the reservoirs in deep and ultra-deep waters that the Brazilian federal government has licensed and assigned to us, or that it may license to us in the future, including as a result of the enactment of the new regulatory model for the oil and gas industry in Brazil.

Our exploration activities also expose us to the inherent risks of drilling, including the risk that we will not discover commercially productive crude oil or natural gas reserves. The costs of drilling wells are often uncertain, and numerous factors beyond our control (such as unexpected drilling conditions, equipment failures or incidents, and shortages or delays in the availability of drilling rigs and the delivery of equipment) may cause drilling operations to be curtailed, delayed or cancelled. These risks are heightened when we drill in deep and ultra-deep waters. In addition, increased competition in the oil and gas sector in Brazil may increase the costs of obtaining additional acreage in bidding rounds for new concessions. We may not be able to maintain our long-term growth objectives for oil production unless we conduct successful exploration and development activities of our large reservoirs in a timely manner.

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We may not obtain, or it may be difficult for us to obtain, financing for our planned investments, which may have a material adverse effect on us.

Under our 2011-2015 Business Plan, we intend to invest U.S.\$224.7 billion between 2011 and 2015. In addition, approximately 27% of our existing debt, or U.S.\$22.2 billion, will mature in the next three years. In order to implement our 2011-2015 Business Plan, including the development of our oil and natural gas exploration activities in the pre- and post-salt layers and the development of refining capacity sufficient to process increasing production volumes, we will need to raise significant amounts of debt capital in the financial and capital markets, including by, among other means, loans and issuing debt securities. We cannot guarantee that we will be able to obtain the necessary financing to implement our Business Plan and to roll-over our existing debt in a timely and advantageous manner in order to implement our 2011-2015 Business Plan.

Our crude oil and natural gas reserve estimates involve some degree of uncertainty, which could adversely affect our ability to generate income.

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

We do not own any of the subsoil accumulations of crude oil and natural gas in Brazil.

Under Brazilian law, the Brazilian federal government owns all subsoil accumulations of crude oil and natural gas in Brazil and the concessionaire owns the oil and gas it produces from those subsoil accumulations pursuant to concession agreements. We possess the exclusive right to develop the volumes of crude oil and natural gas included in our reserves pursuant to concession agreements awarded to us by the Brazilian federal government and we own the hydrocarbons we produce under those concession agreements. Access to crude oil and natural gas reserves is essential to an oil and gas company's sustained production and generation of income, and our ability to generate income would be adversely affected if the Brazilian federal government were to restrict or prevent us from exploiting these crude oil and natural gas reserves. In addition, we may be subject to fines by the ANP and our concessions may be revoked if we do not comply with our obligations under our concessions.

The Assignment Agreement we entered into with the Brazilian federal government is a related party transaction.

The transfer of oil and gas exploration and production rights to us related to specific pre-salt areas is governed by the Assignment Agreement, which is a contract between the Brazilian federal government, our controlling shareholder, and us. The negotiation of the Assignment Agreement involved significant issues, including negotiations regarding (1) the area covered by the transfer of rights, consisting of exploratory blocks; (2) the price to be paid for the transfer of rights; and (3) the terms of the subsequent revision of the contract price and volume under the Assignment Agreement.

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This contract includes provisions for a subsequent revision of the contract terms, which are subject to oil and industry prices at the time the revision is made. At the time the Assignment Agreement was negotiated, the initial contract price paid by us was based on an assumed Brent oil crude price of U.S.\$80. Once the revision process is concluded pursuant to the terms of the Assignment Agreement, if it is determined that the revised contract price is higher than the initial contract price, we will either make an additional payment to the Brazilian federal government or reduce the amount of barrels of oil equivalent subject to the Assignment Agreement. See Item 10. “Material contracts—Petrobras—Assignment Agreement.” Over the course of the life of the Assignment Agreement, novel issues may arise in the implementation of the revision process and other provisions that will require negotiations between related parties.

We are subject to numerous environmental, health and safety regulations and industry standards that are becoming more stringent and may result in increased capital and operating expenditures and decreased production.

Our activities are subject to a wide variety of federal, state and local laws, regulations and permit requirements relating to the protection of human health, safety and the environment, both in Brazil and in other jurisdictions in which we operate, as well as to evolving industry standards and best practices. Particularly in Brazil, our oil and gas business is subject to extensive regulation by several governmental agencies, including the ANP, the ANEEL, the Brazilian Water Transportation Agency (*Agência Nacional de Transportes Aquaviários*) and the Brazilian Land Transportation Agency (*Agência Nacional de Transportes Terrestres*).

Failure to observe or comply with these laws and regulations could result in penalties that could adversely affect our operations. In Brazil, for example, we could be exposed to administrative and criminal sanctions, including warnings, fines and closure orders for non-compliance with these environmental, health and safety regulations, which, among other things, limit or prohibit emissions or spills of toxic substances produced in connection with our operations. Waste disposal and emissions regulations may also require us to clean up or retrofit our facilities at substantial cost and could result in substantial liabilities. The *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis* (Brazilian Institute of the Environment and Renewable Natural Resources, or IBAMA) and the ANP routinely inspect our facilities, and may impose fines, restrictions on operations, or other sanctions in connection with its inspections, including unexpected, temporary production shutdowns. In addition, we are subject to environmental laws that require us to incur significant costs to cover damage that a project may cause to the environment. These additional costs may have a negative impact on the profitability of the projects we intend to implement or may make such projects economically unfeasible.

As environmental, health and safety regulations become more stringent, and as new laws and regulations relating to climate change, including carbon controls, become applicable to us, and as industry standards evolve, it is probable that our capital expenditures and investments for compliance with such laws and regulations and industry standards will increase substantially in the future. In addition, if compliance with such laws and regulations and industry standards results in significant unplanned production shutdowns, this may have a material adverse effect on our production. We also cannot guarantee that we will be able to maintain or renew our licenses and permits if they are revoked or if the applicable environmental authorities oppose or delay their issuance or renewal. Increased expenditures to comply with environmental, health and safety regulations, to mitigate the environmental impact of our operations or to restore the biological and geological characteristics of the areas in which we operate may result in reductions in other strategic investments. Any substantial increase in expenditures for compliance with environmental, health or safety regulations or reduction in strategic investments and significant decreases in our production from unplanned shutdowns may have a material adverse effect on our results of operations or financial condition.

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We may incur losses and spend time and money defending pending litigations and arbitrations.

We are currently a party to numerous legal proceedings relating to civil, administrative, environmental, labor and tax claims filed against us. These claims involve substantial amounts of money and other remedies. Several individual disputes account for a significant part of the total amount of claims against us. See Item 8. “Financial Information—Legal Proceedings” and Note 28 to our audited consolidated financial statements included in this annual report for a description of the legal proceedings to which we are subject. In the event that claims involving a material amount and for which we have no provisions were to be decided against us, or in the event that the losses estimated turn out to be significantly higher than the provisions made, the aggregate cost of unfavorable decisions could have a material adverse effect on our financial condition and results of operations. We may also be subject to litigation and administrative proceedings in connection with our concessions and other government authorizations, which could result in the revocation of such concessions and government authorizations. In addition, our management may be required to direct its time and attention to defending these claims, which could preclude them from focusing on our core business. Depending on the outcome, certain litigation could result in restrictions on our operations and have a material adverse effect on certain of our businesses.

We are vulnerable to increased financing expenses resulting from increases in prevailing market interest rates and exchange rate fluctuation.

Fluctuations in exchange rates, especially a depreciation of the *real* in relation to the U.S. dollar rate, may increase our financing expenses as most of our revenues have been denominated in *reais*, while some of our operating expenses and capital expenditures and investments and a substantial portion of our indebtedness are, and are expected to continue to be, denominated in or indexed to U.S. dollars and other foreign currencies.

As of December 31, 2011, approximately 55.9% — U.S.\$45,905 million of our total indebtedness — consisted of floating rate debt. In light of cost considerations and market analysis, we decided not to enter into derivative contracts or make other arrangements to hedge against the risk of an increase in interest rates. Accordingly, if market interest rates rise, our financing expenses will increase, which could have an adverse effect on our results of operations and financial condition. In addition, as we refinance our existing debt in the coming years, the mix of our indebtedness may change, specifically as it relates to the ratio of fixed to floating interest rates, the ratio of short-term to long-term debt, and the currencies in which our debt is denominated in or indexed to. We cannot assure you that such changes will not result in increased financing expenses borne by us.

We are not insured against business interruption for our Brazilian operations and most of our assets are not insured against war or sabotage.

We do not maintain coverage for business interruptions of any nature for our Brazilian operations, including business interruptions caused by labor action. If, for instance, our workers were to strike, the resulting work stoppages could have an adverse effect on us. In addition, we do not insure most of our assets against war or sabotage. Therefore, an attack or an operational incident causing an interruption of our business could have a material adverse effect on our financial condition or results of operations.

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Our international operations are subject to substantial risks.

We operate in several countries, particularly in South America and West Africa. Political, economic and social instability in these countries can have a material adverse effect on us. The results of operations and financial condition of our subsidiaries in these countries may be adversely affected by fluctuations in their local economies, political instability and governmental actions relating to the economy, including:

- the imposition of price controls;
- the imposition of restrictions on hydrocarbon exports;
- the fluctuation of local currencies against the *real*;
- the nationalization of oil and gas reserves;
- increases in export tax and income tax rates for crude oil and oil products; and
- unilateral (governmental) institutional and contractual changes, including controls on investments and limitations on new projects.

If one or more of the risks described above were to materialize we may lose part or all of our reserves in the affected country and we may not achieve our strategic objectives in these countries or in our international operations as a whole, which may result in a material adverse effect on our results of operations and financial condition. For more information about our operations outside Brazil, see Item 4. “Information on the Company—International.”

Risks Relating to PifCo

PifCo’s operations and debt servicing capabilities are dependent on us.

PifCo’s financial position and results of operations are directly affected by our decisions. PifCo is a direct, wholly-owned finance subsidiary of Petrobras incorporated in the Cayman Islands as an exempted company with limited liability. PifCo functions as a vehicle for us to raise capital for our operations through the issuance of debt securities in the international capital markets, among other means. PifCo’s ability to service and repay its indebtedness is consequently dependent on our own operations. Our support of PifCo’s debt obligations has been and will continue to be made through unconditional and irrevocable guaranties of payment. Our own financial condition and results of operations, as well as our financial support of PifCo, directly affect PifCo’s operational results and debt servicing capabilities. For a more detailed description of certain risks that may have a material adverse impact on our financial condition or results of operations and therefore affect PifCo’s ability to meet its debt obligations, see “Risks Relating to Our Operations.”

Risks Relating to Our Relationship with the Brazilian Federal Government

The Brazilian federal government, as our controlling shareholder, may cause us to pursue certain macroeconomic and social objectives that may have a material adverse effect on us.

As our controlling shareholder, the Brazilian federal government has pursued, and may pursue in the future, certain of its macroeconomic and social objectives through us, as permitted by law. Brazilian law requires the Brazilian federal government to own a majority of our voting stock, and so long as it does, the Brazilian federal government will have the power to elect a majority of the members of our board of directors and, through them, a majority of the executive officers who are responsible for our day-to-day management. As a result, we may engage in activities that give preference to the objectives of the Brazilian federal government rather than to our own economic and business objectives.

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In particular, we continue to assist the Brazilian federal government to ensure that the supply and pricing of crude oil and oil products in Brazil meets Brazilian consumption requirements. Accordingly, we may make investments, incur costs and engage in sales on terms that may have an adverse effect on our results of operations and financial condition. Prior to January 2002, prices for crude oil and oil products were regulated by the Brazilian federal government, occasionally set below prices prevailing in the world oil markets. We cannot assure you that price controls will not be reinstated in Brazil.

Our investment budget is subject to approval by the Brazilian federal government, and failure to obtain approval of our planned investments could adversely affect our operating results and financial condition.

The Brazilian federal government maintains control over our investment budget and establishes limits on our investments and long-term debt. As a state-controlled entity, we must submit our proposed annual budgets to the Ministry of Planning, Budget and Management, the MME and the Brazilian Congress for approval. If our approved budget reduces our proposed investments and incurrence of new debt and we cannot obtain financing that does not require Brazilian federal government approval, we may not be able to make all the investments we envision, including those we have agreed to make to expand and develop our crude oil and natural gas fields. If we are unable to make these investments, our operating results and financial condition may be adversely affected.

Risks Relating to Brazil

Brazilian political and economic conditions have a direct impact on our business and may have a material adverse effect on us.

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

- devaluations and other exchange rate movements;
- inflation;
- exchange control policies;
- price instability;
- interest rates;
- liquidity of domestic capital and lending markets;
- tax policy;
- regulatory policy for the oil and gas industry, including pricing policy; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian federal government will implement changes in policy or regulations that may affect any of the factors mentioned above or other factors in the future may lead to economic uncertainty in Brazil and increase the volatility of the Brazilian securities market and securities issued abroad by Brazilian companies, which may have a material adverse effect on our results of operations and financial condition.

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Risks Relating to Our Equity and Debt Securities

The size, volatility, liquidity and/or regulation of the Brazilian securities markets may curb the ability of holders of ADSs to sell the common or preferred shares underlying our ADSs.

Petrobras shares are among the most liquid in the São Paulo Stock Exchange (BM&FBOVESPA), but overall, the Brazilian securities markets are smaller, more volatile and less liquid than the major securities markets in the United States and other jurisdictions, and may be regulated differently from the way in which U.S. investors are accustomed. Factors that may specifically affect the Brazilian equity markets may limit the ability of holders of ADSs to sell the common or preferred shares underlying our ADSs at the price and time they desire.

The market for PifCo's notes may not be liquid.

Some of PifCo's notes are not listed on any securities exchange and are not quoted through an automated quotation system. We can make no assurance as to the liquidity of or trading markets for PifCo's notes. We cannot guarantee that the holders of PifCo's notes will be able to sell their notes in the future. If a market for PifCo's notes does not develop, holders of PifCo's notes may not be able to resell the notes for an extended period of time, if at all.

Holders of ADSs may be unable to exercise preemptive rights with respect to the common or preferred shares underlying the ADSs.

Holders of ADSs who are residents of the United States may not be able to exercise the preemptive rights relating to the common or preferred shares underlying our ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the common or preferred shares relating to these preemptive rights, and therefore we may not file any such registration statement. If a registration statement is not filed and an exemption from registration does not exist, The Bank of New York Mellon, as depositary, will attempt to sell the preemptive rights, and holders of ADSs will be entitled to receive the proceeds of the sale. However, the preemptive rights will expire if the depositary cannot sell them. For a more complete description of preemptive rights with respect to the common or preferred shares, see Item 10. "Additional Information—Memorandum and Articles of Association of Petrobras—Preemptive Rights."

If holders of our ADSs exchange their ADSs for common or preferred shares, they risk losing the ability to remit foreign currency abroad and forfeiting Brazilian tax advantages.

The Brazilian custodian for our common or preferred shares underlying our ADSs must obtain a certificate of registration from the Central Bank of Brazil to be entitled to remit U.S. dollars abroad for payments of dividends and other distributions relating to our preferred and common shares or upon the disposition of the common or preferred shares. If holders of ADSs decide to exchange their ADSs for the underlying common or preferred shares, they will be entitled to continue to rely, for five Brazilian business days from the date of exchange, on the custodian's certificate of registration. After that period, such holders may not be able to obtain and remit U.S. dollars abroad upon the disposition of the common or preferred shares, or distributions relating to the common or preferred shares, unless they obtain their own certificate of registration or register under Resolution No. 2,689, of January 26, 2000, of the National Monetary Council (*Conselho Monetário Nacional*, or CMN), which entitles registered foreign investors to buy and sell on the BM&FBOVESPA. In addition, if such holders do not obtain a certificate of registration or register under Resolution No. 2,689, they may be subject to less favorable tax treatment on gains with respect to the common or preferred shares.

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If such holders attempt to obtain their own certificate of registration, they may incur expenses or suffer delays in the application process, which could delay their ability to receive dividends or distributions relating to the common or preferred shares or the return of their capital in a timely manner. The custodian's certificate of registration or any foreign capital registration obtained by such holders may be affected by future legislative or regulatory changes and we cannot assure such holders that additional restrictions applicable to them, the disposition of the underlying common or preferred shares, or the repatriation of the proceeds from the process will not be imposed in the future.

Holders of ADSs may face difficulties in protecting their interests.

Our corporate affairs are governed by our bylaws and Brazilian Corporate Law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or elsewhere outside Brazil. In addition, the rights of an ADS holder, which are derivative of the rights of holders of our common or preferred shares, as the case may be, to protect their interests against actions by our board of directors are different under Brazilian Corporate Law than under the laws of other jurisdictions. Rules against insider trading and self-dealing and the preservation of shareholder interests may also be different in Brazil than in the United States. In addition, shareholders in Brazilian companies ordinarily do not have standing to bring a class action.

We are a state-controlled company organized under the laws of Brazil and all of our directors and officers reside in Brazil. Substantially all of our assets and those of our directors and officers are located in Brazil. As a result, it may not be possible for holders of ADSs to effect service of process upon us or our directors and officers within the United States or other jurisdictions outside Brazil or to enforce against us or our directors and officers judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may only be enforced in Brazil if certain requirements are met, holders of ADSs may face greater difficulties in protecting their interest in actions against us or our directors and officers than would shareholders of a corporation incorporated in a state or other jurisdiction of the United States.

Holders of our ADSs may encounter difficulties in the exercise of voting rights and preferred shares and the ADSs representing preferred shares generally do not give holders of ADSs voting rights.

Holders of ADSs may encounter difficulties in the exercise of some of their rights as a shareholder if they hold our ADS rather than the underlying shares. For example, if we fail to provide the depository with voting materials on a timely basis, holders of ADSs may not be able to vote by giving instructions to the depository on how to vote for them.

In addition, a portion of our ADSs represents our preferred shares. Under Brazilian law and our bylaws, holders of preferred shares generally do not have the right to vote in meetings of our stockholders. This means, among other things, that holders of ADSs representing preferred shares are not entitled to vote on important corporate transactions or decisions. See Item 10. "Additional Information—Memorandum and Articles of Incorporation of Petrobras—Voting Rights" for a discussion of the limited voting rights of our preferred shares.

We would be required to pay judgments of Brazilian courts enforcing our obligations under the guaranty relating to PifCo's notes only in reais.

If proceedings were brought in Brazil seeking to enforce our obligations in respect of the guaranty relating to PifCo's notes, we would be required to discharge our obligations only in *reais*. Under the Brazilian exchange control rules, 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 we are subject to U.S. bankruptcy laws and that the guaranty executed by us were a fraudulent conveyance could result in PifCo noteholders losing their legal claim against us.

PifCo's obligation to make payments on the PifCo notes is supported by our obligation under the corresponding guaranty. We have been advised by our external U.S. counsel that the guaranty is valid and enforceable in accordance with the laws of the State of New York and the United States. In addition, we have been advised by our general counsel that the laws of Brazil do not prevent the guaranty from being valid, binding and enforceable against us in accordance with its terms. In the event that U.S. federal fraudulent conveyance or similar laws are applied to the guaranty, and we, at the time we entered into the relevant guaranty:

- were or are insolvent or rendered insolvent by reason of our entry into such guaranty;
- were or are engaged in business or transactions for which the assets remaining with us constituted unreasonably small capital; or
- intended to incur or incurred, or believed or believe that we would incur, debts beyond our 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 our obligations under the guaranty could be avoided, or claims with respect to that agreement 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 us as a result of PifCo's issuance of these notes. 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 would not have a claim against us under the relevant guaranty and will solely have a claim against PifCo. We cannot assure you that, after providing for all prior claims, there will be sufficient assets to satisfy the claims of the PifCo noteholders relating to any avoided portion of the guaranty.

Concerns regarding the European credit crisis and market perceptions with respect to both the financial stability of Eurozone countries and the stability of the euro could adversely affect the value of our euro notes and the general availability and cost of financing.

There are persistent concerns regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro to function as a single currency given the diverse economic and political circumstances in individual Eurozone countries. The risks and prevalent concerns about the credit crisis in Europe could have a detrimental impact on global economic recovery as well as on sovereign and non-sovereign debt in the Eurozone countries. There can be no assurance that the market disruptions in Europe will not spread, nor can there be any assurance that future assistance packages will be available or, even if provided, will be sufficient to stabilize affected countries and markets in Europe or elsewhere. These and other concerns could lead to the re-introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro entirely.

Should the euro dissolve entirely, the legal and contractual consequences for holders of euro-denominated obligations would be determined by laws in effect at such time. It is difficult to predict the real impact of the European sovereign crisis; however, to the extent uncertainty regarding the economic recovery continues to negatively impact the global economy, concerns regarding the effect of this financial crisis globally could also have an adverse impact on the capital and financial markets generally. These potential developments, or market perceptions concerning these and related issues, could negatively impact the value of our euro notes and the general availability and cost of financing.

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Item 4. Information on the Company

History and Development

Petróleo Brasileiro S.A.—Petrobras—was incorporated in 1953 to conduct the Brazilian federal government’s hydrocarbon activities. We began operations in 1954 and have been carrying out crude oil and natural gas production and refining activities in Brazil on behalf of the government. As of December 31, 2011, the Brazilian federal government owned 28.66% of our outstanding capital stock and 50.24% of our voting shares. Our common and preferred shares have been traded on the BM&FBOVESPA since 1968 and on the NYSE since 2000.

As part of a comprehensive reform of the oil and gas regulatory system, the Brazilian Congress amended the Brazilian Constitution in 1995 to authorize the Brazilian federal government to contract with any state or privately-owned company to carry out upstream, oil refining, cross-border commercialization and transportation activities in Brazil of oil, natural gas and their respective products. On August 6, 1997, Brazil enacted Law No. 9,478, which established a concession-based regulatory framework, ended our exclusive right to carry out oil and gas activities, and allowed competition in all aspects of the oil and gas industry in Brazil. Since that time, we have been operating in an increasingly deregulated and competitive environment. Law No. 9,478 also created an independent regulatory agency, the ANP, to regulate the oil, natural gas and renewable fuel industry in Brazil and to create a competitive environment in the oil and gas sector. Effective January 2, 2002, Brazil deregulated prices for crude oil, oil products and natural gas. See “Regulation of the Oil and Gas Industry in Brazil—Price Regulation.”

In 2010, new laws were enacted to regulate exploration and production activities in pre-salt areas not subject to existing concessions. Pursuant to this new legislation, we entered into an agreement with the Brazilian federal government on September 3, 2010 (Assignment Agreement), under which the government assigned to us the right to activities for the exploration and production of oil, natural gas and other fluid hydrocarbons in specified pre-salt areas, subject to a maximum production of five billion barrels of oil equivalent. The initial purchase price for our rights under the Assignment Agreement was R\$74,807,616,407, which was equivalent to U.S.\$42,533,327,500 as of September 1, 2010. On September 29, 2010, we issued new shares (including shares in the form of ADSs) in a global public offering consisting of a registered offering in Brazil and an international offering that included a registered offering in the United States. We applied part of the net proceeds from the global offering to pay the initial purchase price under the Assignment Agreement.

We operate through subsidiaries, joint ventures, and associated companies established in Brazil and many other countries. Our principal executive office is located at Avenida República do Chile 65, 20031-912 Rio de Janeiro, RJ, Brazil and our telephone number is (55-21) 3224-4477.

Overview of the Group

We are an integrated oil and gas company that is the largest corporation in Brazil and one of the largest companies in Latin America in terms of revenues. As a result of our legacy as Brazil’s former sole supplier of crude oil and oil products and our ongoing commitment to development and growth, we operate most of Brazil’s producing oil and gas fields and hold a large base of proved reserves and a fully developed operational infrastructure. In 2011, our average domestic daily oil production was 2,022.0 mbbbl/d, an estimated 92% of Brazil’s total. Over 76% of our domestic proved reserves are in large, contiguous and highly productive fields in the offshore Campos Basin, which allows us to optimize our infrastructure and limit our costs of exploration, development and production. In 43 years of developing Brazil’s offshore basins we have developed special expertise in deepwater exploration and production, which we exploit both in Brazil and in other offshore oil provinces.

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As of December 31, 2011, we had proved developed oil and gas reserves of 8,124 mmboe, including synthetic oil and synthetic gas from oil shale and proved undeveloped reserves of 4,143 mmboe in Brazil. The exploration and development of this large reserve based and the new pre-salt areas granted to us by the Brazilian Government under the Assignment Agreement has demanded, and will continue to demand, significant investments and the rapid growth of our operations. To support this growth, we have ordered the construction of 22 new FPSOs and 33 drilling rigs and are also making necessary investments in infrastructure. We have planned capital expenditures and investments of U.S.\$50.6 billion for 2012 and of U.S.\$224.7 billion for the period from 2011 through 2015.

We operate substantially all of the refining capacity in Brazil. Most of our refineries are located in Southeastern Brazil, within the country's most populated and industrialized markets and adjacent to the Campos Basin that provides most of our crude oil. Our domestic refining capacity of 2,013 mbbbl/d is well balanced with our domestic refining throughput of 1,862 mbbbl/d and sales of oil products to domestic markets of 2,131 mbbbl/d. We are also involved in the production of petrochemicals. We distribute oil products through our own "BR" network of retailers and to wholesalers.

We participate in most aspects of the Brazilian natural gas market. We expect the percentage of natural gas in Brazil's energy matrix to grow in the future as a result of the expansion of Brazil's gas transportation infrastructure which began in 2005 and was largely completed in 2011 and as we expand our production of both associated and non-associated gas, mainly from offshore fields in the Campos, Espírito Santo and Santos Basins. We import natural gas from Bolivia and use LNG terminals to meet demand and diversify our supply. We also participate in the domestic power market primarily through our investments in gas-fired thermoelectric power plants. In addition, we participate in the fertilizer business, which is another important source of natural gas demand.

Outside of Brazil, we operate in 24 countries. In South America, our operations extend from exploration and production to refining, marketing, retail services and natural gas pipelines. In North America, we produce oil and gas and have refining operations in the United States. In Africa, we produce oil in Angola and Nigeria, and in Asia, we have refining operations in Japan. In other countries, we are engaged mainly in oil and gas exploration.

Comprehensive information and tables on reserves and production is presented at the end of Item 4. See "—Additional Reserves and Production Information."

Our activities comprise six business segments:

- **Exploration and Production:** oil and gas exploration, development and production in Brazil;
- **Refining, Transportation and Marketing:** includes refining, logistics, transportation, oil products and crude oil exports and imports, as well as petrochemical sector in Brazil;
- **Distribution:** distribution of oil products to wholesalers and through our "BR" retail network in Brazil;
- **Gas and Power:** transportation and trading of natural gas and LNG , as well as, generation and trading of electric power;
- **Biofuel:** production of biodiesel and its co-products and ethanol activities, through equity investments, production and marketing of ethanol, sugar and the excess electric power generated from sugarcane bagasse; and
- **International:** exploration and production, refining, transportation and marketing, distribution and gas and power operations outside of Brazil.

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Our Corporate segment comprises our financing activities not attributable to other segments, including corporate financial management, central administrative overhead and actuarial expenses related to our pension and health care plans for inactive participants. As of 2011, the results of our Biofuels segment have been presented separately from our Corporate segment. The 2010 and 2009 financial information related to our Corporate and Biofuel segments were reclassified accordingly.

The following table sets forth key information for each business segment in 2011:

Key Information by Business Segment, 2011									
	Refining, Exploration and Production	Transportation and Marketing	Gas and Power	Biofuel	Distribution	International	Corporate	Eliminations	Group Total
	(U.S.\$ million)								
Sales revenues	74,117	118,630	9,738	320	44,001	16,956	–	(117,847)	145,915
Income (loss) before income taxes	36,809	(8,753)	2,725	(151)	1,134	2,117	(5,003)	(2,154)	26,724
Total assets at December 31	141,113	84,330	27,645	1,289	7,885	19,427	45,326	(7,605)	319,410
Capital expenditures and investments	20,405	16,133	2,293	294	679	2,631	729	–	43,164

Exploration and Production

Exploration and Production Key Statistics			
	2011	2010	2009
	(U.S.\$ million)		
Exploration and Production:			
Sales revenues	74,117	54,273	38,759
Income (loss) before income taxes	36,809	25,439	14,707
Total assets at December 31	141,113	136,600	75,908
Capital expenditures and investments	20,405	18,621	16,162

Oil and gas exploration and production activities in Brazil are the largest component of our portfolio. We have gradually increased production over the past four decades, from 164 mbb/d of crude oil, condensate and natural gas liquids in Brazil in 1970 to 2,022 mbb/d in 2011. We aim to grow oil and gas reserves and production sustainably and be recognized for excellence in Exploration and Production operations.

The primary focus of our E&P segment is to:

- Continue to explore and develop the Campos Basin, leveraging the current infrastructure to drill in deeper horizons in existing concessions, including pre-salt reservoirs, and using new technologies for secondary recovery in producing fields;
- Explore and develop Brazil's two other most promising offshore basins, Espírito Santo (light oil, heavy oil and gas) and Santos (gas and light oil), with a particular focus on pre-salt development;
- Explore light oil and natural gas in new frontiers, including Brazil's equatorial margin and eastern and northeastern regions;
- Develop associated and non-associated gas resources in the Santos Basin and elsewhere to meet Brazil's growing demand for gas and to increase the contribution of Brazilian gas production as a proportion of total domestic gas supply; and
- Sustain and increase production from onshore and shallow fields through drilling and enhanced recovery operations.

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During 2011, our oil and gas production from Brazil averaged 2,220.5 mboe/d, of which 91% was oil and 9% was natural gas. On December 31, 2011, our estimated net proved crude oil and natural gas reserves in Brazil were 12.26 billion boe, of which 85% was crude oil and 15% was natural gas. Brazil provided 90.7% of our worldwide production in 2011 and accounted for 95% of our worldwide reserves at December 31, 2011 on a barrels of oil equivalent basis. Historically, approximately 85% of our total Brazilian production has been oil. In connection with the development of the pre-salt, the contribution of natural gas to total hydrocarbon production is expected to grow. In 2011, we drilled a total of 398 development wells, of which 84 were offshore and 314 were onshore.

As of December 31, 2011, we had 132 exploration agreements covering 194 blocks, corresponding to a gross exploratory acreage of 119,132 km² (29.4 million acres), or a net exploratory acreage of 95,672.2 km² (23.6 million acres), and 51 evaluation plans. We are exclusively responsible for conducting the exploration activities in 98 of the 132 exploration agreements. As of December 31, 2011, we had exploration partnerships with 20 foreign and domestic companies. We conduct exploration activities under 111 of our 132 partnership agreements.

We focus much of our exploration effort on deepwater drilling, where the discoveries are substantially larger and our technology and expertise create a competitive advantage. In 2011, we invested a total of U.S.\$5.3 billion in exploration activities in Brazil. We drilled a total of 123 exploratory wells in 2011, of which 47 were offshore and 76 onshore.

Brazil's richest oil fields are located offshore, most of them in deep waters. Since 1971, when we started exploration in the Campos Basin, we have been active in these waters and we have become globally recognized as innovators in the technology required to explore and produce hydrocarbons in deep and ultra-deep water. We operate more production (on a boe basis) from fields in deep and ultra-deep water than any other company. In 2011, offshore production accounted for 89% of our production and deepwater production accounted for 77% of our production in Brazil. In 2011, we operated 226 wells in water deeper than 1,000 meters (3,281 feet), and we drilled around 26 exploratory wells in water deeper than 1,000 meters (3,281 feet).

Offshore exploration, development and production costs are generally higher than those onshore, but we have been able to offset these higher costs by higher drilling success ratios, larger discoveries and greater production volumes. We have historically been successful in finding and developing significant oil reservoirs offshore, which has allowed us to achieve economies of scale by spreading the total costs of exploration, development and production over a large base. By focusing on opportunities that are close to existing production infrastructure, we limit the incremental capital requirements of new field development.

Historically, our offshore exploration and production activities were focused on post-salt reservoirs. In recent years, we have focused our offshore exploration efforts on pre-salt reservoirs located in a region of approximately 149,000 km² (36.8 million acres) stretching from the Campos to the Santos Basins. Our existing contracts in this area cover 26.6% (approximately 39,615 km² or 9.8 million acres) of the pre-salt areas, including the pre-salt areas assigned to us under Concession Contracts and the Assignment Agreement. An additional 4% (approximately 6,000 km² or 1.5 million acres) is under concession to other oil companies for exploration. The remaining 69.4% (approximately 103,000 km² or 25.4 million acres) of the pre-salt region is open acreage area, not licensed yet, and the licensing of new pre-salt areas will be made under a production-sharing regime under Law No. 12,351, enacted on December 22, 2010.

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Since 2005, we have drilled 60 exploratory wells that yielded hydrocarbon discoveries within the pre-salt area. We hold interests ranging from 20% to 100% in the pre-salt exploration areas under concession to us. In the southern part of the Santos Basin, where the salt layer is thick and the hydrocarbons have been more perfectly preserved, we have made several particularly promising discoveries since 2006, including those made in Blocks BM-S-11 (Iara and Lula) and BM-S-9 (Carioca and Sapinhoá, formerly Guará). In the northern part of the region, we made significant discoveries in 2008 and early 2010 in the area known as Parque das Baleias and in the Barracuda, Marlim and Caratinga fields, all of which are in the Campos Basin. As a result, we are committing substantial resources to develop these pre-salt discoveries, which are located in deep and ultra-deep waters and reservoirs at total depths of up to 7,000 meters (22,965 feet).

Our 2011-2015 Business Plan, which was released in July 2011, foresees investments in our Brazilian exploration and production activities of U.S.\$117.7 billion from 2011 to 2015 (not including investments by our partners). Of this amount, 54.6% will be applied to the exploration, production and development of necessary infrastructure in connection with our post-salt reserves, and 45.4% will be applied to the corresponding investments in our pre-salt reserves.

We have also implemented a variety of programs designed to increase oil recovery from existing fields and reduce natural declines from producing fields.

Our exploration and production activities outside Brazil are included in our International business segment. See “—International.”

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Information about our principal oil and gas producing fields in Brazil is summarized in the table below.

Principal Oil and Gas Producing Fields in Brazil

Basin	Fields	Petrobras %	Type	Fluid(1)
Alagoas	Pilar	100%	Onshore	Light Oil/Natural Gas
Camamu	Manati	35%	Shallow	Natural Gas
Campos	Albacora	100%	Shallow Deepwater	Intermediate Oil Intermediate Oil
	Albacora Leste	90%	Deepwater Ultra-deepwater	Intermediate Oil
	Baleia Azul	100%	Deepwater	Intermediate Oil
	Baleia Franca	100%	Deepwater	Intermediate Oil
	Barracuda	100%	Deepwater	Intermediate Oil
	Bijupirá/Salema	22.4%(2)	Deepwater	Intermediate Oil
	Cachalote	100%	Deepwater	Intermediate Oil
	Caratinga	100%	Deepwater	Intermediate Oil
	Espadarte	100%	Deepwater	Intermediate Oil
	Jubarte	100%	Deepwater	Heavy Oil
	Maromba	62.5%	Deepwater	Heavy Oil
	Marlim	100%	Deepwater	Heavy Oil
	Marlim Leste	100%	Deepwater	Intermediate Oil
	Marlim Sul	100%	Deepwater Ultra-deepwater	Intermediate Oil
	Namorado	100%	Shallow	Intermediate Oil
	Ostra	35%(2)	Deepwater	Heavy Oil
	Pampo	100%	Shallow	Intermediate Oil
	Pargo	100%	Shallow	Intermediate Oil
	Roncador	100%	Ultra-deepwater	Intermediate Oil
	Voador	100%	Deepwater	Heavy Oil
Espírito Santo	Fazenda Alegre	100%	Onshore	Heavy Oil
	Peroá	100%	Shallow	Light Oil
	Golfinho	100%	Deepwater	Intermediate Oil
		100%	Ultra-deepwater	Intermediate Oil
	Canapu	100%	Deepwater	Natural Gas
Camarupim	76%	Deepwater	Natural Gas	
Potiguar	Canto do Amaro	100%	Onshore	Intermediate Oil/Natural Gas Heavy Oil/Natural Gas
Recôncavo	Jandaia	100%	Onshore	Light Oil
	Miranga	100%	Onshore	Light Oil/Natural Gas
Santos	Merluza	100%	Shallow	Natural Gas
	Mexilhão	100%	Shallow	Natural Gas
	Uruguá	100%	Deepwater	Intermediate Oil/Natural Gas
	Tambaú	100%	Deepwater	Natural Gas
	Lula	65%	Ultra-deepwater	Intermediate Oil
Sapinhoá	45%	Ultra-deepwater	Intermediate Oil	
Sergipe	Carmópolis	100%	Onshore	Intermediate Oil
	Siririzinho	100%	Onshore	Intermediate Oil
Solimões	Leste do Urucu	100%	Onshore	Light Oil/Natural Gas
	Rio Urucu	100%	Onshore	Light Oil/Natural Gas

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- (1) Heavy oil = up to 22° API; intermediate oil = 22° API to 31° API; light oil = greater than 31° API
(2) Petrobras is not the operator in this field.

We have historically conducted exploration, development and production activities in Brazil through concession contracts, which we have obtained through participation in bid rounds conducted by the ANP. Some of our existing concessions were granted by the ANP without an auction in 1998, as provided by Law No. 9,478. These are known as the “Round Zero” concession contracts. Since such time, we have participated in all of the auction rounds, most recently in December 2008.

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Our domestic oil and gas exploration and production efforts are primarily focused on three major basins offshore in Southeastern Brazil: Campos, Espírito Santo and Santos. The following map shows our concession areas in Brazil as of December 2011.



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The map below shows the location of the pre-salt reservoirs as well as the status of our exploratory activities there.



Campos Basin

The Campos Basin, which covers approximately 115,000 km² (28.4 million acres), is the most prolific oil and gas basin in Brazil as measured by proved hydrocarbon reserves and annual production. Since we began exploring this area in 1971, over 60 hydrocarbon accumulations have been discovered, including eight large oil fields in deep water and ultra-deep water. The Campos Basin is our largest oil- and gas-producing region, producing an average 1,677.0 mbbbl/d of oil and 12.9 mmm³/d (487.4 mmcf/d) of associated natural gas during 2011, 79% of our total production from Brazil.

In 2011, we produced oil at an average rate of 1,677.0 mbbbl/d from 44 fields in the Campos Basin and held proved crude oil reserves representing 82% of our total proved crude oil reserves in Brazil. In addition, the start-up of operations in 2011 of the P-56 platform located in the Marlim Sul field in the offshore Campos Basin added a capacity of 100 mbbbl/d of oil and 6.0 mmm³/d of natural gas. We held proved natural gas reserves in the Campos Basin representing 45% of our total proved natural gas reserves in Brazil. We operated 40 floating production systems, 14 fixed platforms and 6,749 km (4,194 miles) of pipeline and flexible pipes in water depths from 80 to 1,886 meters (262 to 6,188 feet), delivering oil with an average API gravity of 22.9° and an average BSW of 1%. As of December 31, 2011, we held rights to 10 exploratory blocks and 13 evaluation plans in the Campos Basin, comprising a total of 7,975.6 km² (1.97 million acres).

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Production growth in the Campos Basin originates mainly from the installation of new platforms to develop our proved reserves in the region. In 2011, the start-up of operations at the P-56 platform located in the Marlim Sul field in the offshore Campos Basin added a capacity of 100 mbb/d of oil and 6.0 mmm³/d of natural gas. The connection of new wells to previously installed platforms is also a significant contributor to production increases in the Campos Basin. The interconnection of new wells in the P-48 and P-57 platforms and the FPSO Capixaba added 68.9 mbb/d to our average production in the Campos Basin in 2011.

We expect that the source of future production from the Campos Basin will be predominantly from deepwater oil fields. We are currently developing nine major projects in the Campos Basin: Marlim Sul Module 3, Roncador Modules 3 and 4, Papa-Terra Modules 1 and 2, Aruanã (BM-C-36) - EWT, Jubarte Phase II, Parque das Baleias and the pre-salt reservoirs of Baleia Azul.

Principal Campos Basin Development Projects

Field	Unit Type	Production Unit	Crude Oil Nominal Capacity (bbl/d)	Natural Gas Nominal Capacity (mcf/d)	Water Depth (meters)	Start Up (year)	Notes
Baleia Azul & Pirambu	FPSO	Anchieta	100,000	88,285	1,220	2012	Post-salt; existing FPSO chartered from SBM; Post-salt
Roncador–Module 3	SS	P-55	180,000	211,884	1,790	2013	Post-salt
Papa-Terra–Module 1	TLWP	P-61	0	0	1,180	2013	Production by P-63 Post-salt
Papa-Terra–Module 2	FPSO	P-63	150,000	31,783	1,170	2013	Post-salt
Baleia Azul, Jubarte, Cachalote, Baleia Anã & Baleia Franca	FPSO	P-58	180,000	211,884	1,400	2013	Pre-salt
Roncador–Module 4	FPSO	P-62	180,000	211,884	1,550	2013	Post-Salt

We have also made important progress in the pre-salt reservoirs of the Campos Basin, where we have drilled a total of 30 wells. Of particular note are the discoveries in the Parque das Baleias area, in the northern part of Campos Basin off the coast of the State of Espírito Santo. The first pre-salt oil production in Parque das Baleias was at the Jubarte field in 2008. We started producing from the Baleia Franca field in the second half of 2010 using the existing FPSO Capixaba. In 2012, we expect to start up a pilot system exclusively dedicated to pre-salt exploration in the Baleia Azul region using the FPSO Cidade de Anchieta, with a capacity to produce 100,000 bpd of oil and 3.5 mmm³/d of gas. We have also made promising discoveries near existing infrastructure in our Campos Basin concessions. Specifically, we have discovered pre-salt reserves of Brava, Carimbe and Tracaja in the pre-salt layers of the Marlim, Caratinga and Marlim Leste concessions. These discoveries represent opportunities to increase pre-salt production in the Campos Basin in the coming years while taking advantage of the existing infrastructure in the area.

Santos Basin

The Santos Basin, which covers approximately 348,900 km² (86 million acres) off the city of Santos, in the State of São Paulo, is one of the most promising exploration and production areas offshore Brazil. In the Santos Basin in 2011, we produced oil at an average rate of 66.9 mbb/d and natural gas at an average rate of 4.1 mmm³/d (156.4 mmcf/d). In the Santos Basin, we held proved crude oil reserves representing 10% of our total proved crude oil reserves in Brazil and held natural gas reserves representing 29% of our total proved natural gas reserves in Brazil. On December 31, 2011, we held exploration rights to 38 blocks in the Santos Basin, comprising 23,625.4 km² (5,835.5 million acres).

The Santos Basin pre-salt was a central focus of E&P activities in 2011. We continue to concentrate our efforts on gathering information about the pre-salt reserves through extended well tests (EWTs) and testing drilling technologies to improve efficiency and to plan the definitive design of production platforms. Throughout the year, we drilled 14 new wells, increasing to 37 the number of wells in the Santos Basin pre-salt. In addition, we expect to drill up to 21 new wells in this region in 2012.

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We currently have two platforms, the FPSO Cidade de São Vicente and the FPSO Dynamic Producer, that are dedicated to perform EWTs in the Santos Basin pre-salt. Since 2009, two EWTs have been performed in the Lula and Guar areas. We are currently performing EWTs in the Iracema and Carioca Northeast areas, and have three additional EWTs in other areas planned for 2012. From 2013 through 2017, we plan to install at least 17 FPSOs in the Santos Basin pre-salt to develop the production in the region. These FPSOs are currently being designed or constructed. The subsequent phase, beginning in 2017, will include the application of improved technologies and engineering specifically designed for the pre-salt fields.

The first productive field in the Santos Basin pre-salt was Lula (formerly Tupi), which began producing oil in May 2009 following an 18-month EWT. In November 2010, we replaced the EWT with a long-term production system, the FPSO Cidade de Angra dos Reis, which has a production capacity of 100 mbbbl/d. By the end of 2011, we had drilled and connected three production wells to this FPSO, which was producing 65 mbbbl/d of oil. A gas injection well was also drilled in the Lula area and was the first injection well to be tested in the pre-salt reservoirs. In 2012, we plan to drill two additional production wells and one injector in the Lula system.

In December 2011, the Declaration of Commerciality for the Guar area was submitted to the ANP for approval. Located in the Santos Basin pre-salt area called Sapinho Pilot, the FPSO Cidade de So Paulo has an expected capacity of 120,000 mbbbl/d of oil and 5 mmm³/d of gas and is expected to come online in 2012.

Under the Assignment Agreement, we have six blocks and one contingent block which comprise our rights to explore, evaluate and produce up to five billion barrels of oil equivalent in the pre-salt area of the Santos Basin. We are developing these blocks in an integrated manner with the areas we already have under concession. In 2011, we drilled our first exploratory well under the Assignment Agreement in the Franco area and we have an EWT planned for that area in 2012. With a view to further develop these blocks, we have acquired four tanker hulls that will be converted into FPSOs. Over the next four years, we will proceed with our exploration program and are currently targeting the production of oil in the Franco area in 2015.

Principal Santos Basin Development Projects

Field	Unit Type	Production Unit	Crude Oil	Natural Gas	Water Depth (meters)	Start Up (year)	Notes
			Nominal Capacity (bbl/d)	Nominal Capacity (mcf/d)			
Bauna & Piracaba (BM-S-40)	FPSO	Cidade de Itajai	80,000	70,628	200	2012	Chartered from Teekay
Sapinho Pilot (Guar)	FPSO	Cidade de So Paulo	120,000	176,573	2,141	2012	Chartered from Schahin/Modec
Lula (Nordeste) Pilot	FPSO	Cidade de Paraty	120,000	176,573	2,200	2013	Chartered from Queiroz Galvo/SBM
Sapinho (Norte) – Module 2	FPSO	Cidade de Ilha Bela	150,000	211,884	2,100	2014	Chartered from Queiroz Galvo/SBM
Lula Iracema Area	FPSO	Cidade de Mangaratiba	150,000	282,520	2,100	2014	Chartered from Schahin/Modec
Franco 1 Transfer of Rights	FPSO	P-74	150,000	247,205	2,100	2015	Owned
Lula (Central)	FPSO	P-66	150,000	247,205	2,100	2015	Owned
Lula (High)	FPSO	P-67	150,000	176,575	2,100	2015	Owned

Santos is also the focus of our plans to develop domestic natural gas. Our average natural gas production in this basin in 2011 was 4.1 mmm³/d (156.4 mmcf/d) and our proved natural gas reserves in the Santos Basin represented 29% of our total proved natural gas reserves in Brazil.

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In recent years we have been carrying out plans to increase our gas production and build supporting infrastructure in the Santos and Espírito Santo Basins. These plans are now reaching fruition, and we expect that they will increase our average gas production capacity in the Santos Basin from 5.8 mmm³/d (204.8 mmcf/d) in 2011 to 17.8 mmm³/d (628.6 mmcf/d) by the end of 2012. In 2010, we started up post-salt operations at the FPSO Cidade de Santos platform located in the Uruguá field, which produced 0.8 mmm³/d (28.3 mmcf/d) of gas in 2011 and is expected to produce 6.8 mmm³/d (240.1 mmcf/d) by the end of 2012, when the Tambaú field will start production using the same platform. Mexilhão, located in shallow waters in the Santos Basin Block BS-400, started its production in March 2011, and produced 1.7 mmm³/d (60.0 mmcf/d). This production may increase to 8.6 mmm³/d (303.7 mmcf/d) in 2012 in light of the potential production from new wells.

In addition to the foregoing activities, we have made light oil discoveries in shallow water post-salt reservoirs in the BM-S-40 block, called Tiro and Sidon. In 2010, we commenced an EWT in these fields using the SS-11 Atlantic Zephyr platform. We are using the results of that EWT to develop a long-term production system for this block, including a plan to install the FPSO Cidade de Itajaí, with an expected capacity of 80 mmbbl/d of oil and 2 mmm³/d of gas. The FPSO Cidade de Itajaí is expected to come online in 2012. In February, 2012 we submitted to the ANP the Declaration of Commerciality for Tiro and Sidon, which were renamed Bauna and Piracaba, respectively.

Espírito Santo Basin

We have made several discoveries of light oil and natural gas in the Espírito Santo Basin, which covers approximately 75,000 km² (18.5 million acres) offshore and 14,000 km² (3.5 million acres) onshore. At December 31, 2011, we were producing oil at an average rate of 54.4 mmbbl/d from 46 fields and held proved crude oil reserves representing 1% of our total proved crude oil reserves in Brazil. At December 31, 2011, we were producing natural gas at an average rate of 6.9 mmm³/d (261.2 mmcf/d) and held proved natural gas reserves representing 4% of our total proved natural gas reserves in Brazil.

In addition to developing new production projects, we are also optimizing existing resources in the Espírito Santo area by constructing the Sul Norte Capixaba gas pipeline with capacity to transport 7 mmm³/d (247.2 mmcf/d). The pipeline, which runs from the Parque das Baleias area to the Cacimbas gas treatment unit, is expected to come online in 2012.

On December 31, 2011, we held exploration rights to 20 blocks, one onshore and 19 offshore (five of which are evaluation areas), comprising a total of 8,217.5 km² (2,029.7 million acres).

Other Basins

We produce hydrocarbons and hold exploration acreage in 19 other basins in Brazil. Of these, the most significant are the shallow offshore Camamu Basin and the onshore Potiguar, Recôncavo, Sergipe, Alagoas and Solimões Basins. While our onshore production is primarily in mature fields, we plan to sustain and slightly increase production from these fields in the future by using enhanced recovery methods.

We had a total of 297 production agreements as of December 31, 2011, and were the 100% owner in 256 of them. We are operators under 12 of our 27 partnership agreements.

Critical Resources in Exploration and Production

We have sought to ensure that critical service sector resources are sufficient to permit us to move ahead with our E&P plans. Because offshore Brazil is geographically isolated from other offshore drilling areas, and because we often drill in unusually deep waters, we plan carefully for our future drilling rig needs. By using a combination of our own rigs and units that we contract for periods of three years or longer, we have historically ensured the availability of drilling units to meet our needs, and paid lower average daily rates than if we had contracted the units on a spot basis. We continually evaluate our need for rigs, renew our drilling contracts, contract ahead for rigs as needed, and stimulate new rig construction by signing long-term operating leases with drilling contractors for rigs that are not yet

built.

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In the last three years we have successfully eased pressures related to a limited supply of deepwater rigs. Whereas in 2008 we only had three rigs capable of drilling in water depths greater than 2000 meters (6,560 feet), we had 19 as of December 31, 2011, and we expect to have 33 by 2013.

More specifically, we have entered into long-term contracts for 16 drilling rigs to engage in deepwater exploration and production development of our offshore fields in Brazil in 2012 and 2013. Of these 16 rigs, one will be capable of operating in water depths of up to 1,500 meters (4,621 feet), and 15 will be capable of drilling in water deeper than 2,000 meters (6,562 feet). All of these rigs will be chartered by us and have been built or are being built in shipyards outside of Brazil. Of the 19 drilling rigs that we had capable of drilling in water depths greater than 2,000 meters (6,562 feet) as of December 31, 2011, two have contracts that expire by 2013.

In addition to these 16 new drilling rigs, we have also announced plans for 33 rigs to be built in Brazil to meet our long-term needs, including satisfying Brazilian local content requirements arising out of the Assignment Agreement and existing concession agreements. To this end, we have awarded contracts for seven drilling rigs to be built by Sete Brasil S.A. (Sete BR), a Brazilian company in which we hold a 10% interest. We are currently negotiating contracts for an additional 21 drilling rigs to be built by Sete BR and five drilling rigs to be built by Ocean Rig UDW Inc. (Ocean Rig). We expect to fulfill our future drilling requirements with a combination of rigs built in Brazil, supplemented when needed by the international fleet of deepwater rigs.

Drilling Units in Use by Exploration and Production on December 31 of Each Year

	2011		2010		2009	
	Leased	Owned	Leased	Owned	Leased	Owned
Onshore	17	11	22	12	31	13
Offshore, by water depth (WD)						
Jack-up rigs	54	8	44	8	36	8
Floating rigs:	1	4	1	4	2	4
500 to 1000 meters WD	53	4	43	4	34	4
1001 to 2000 meters WD	8	2	11	2	9	2
2001 to 3000 meters WD	26	2	19	2	20	2
	19	0	13	0	5	0

Refining, Transportation and Marketing

Refining, Transportation and Marketing Key Statistics

	2011	2010	2009
	(U.S.\$ million)		
Refining, Transportation and Marketing:			
Sales revenues	118,630	97,936	74,381
Income (loss) before income taxes	(8,753)	3,141	10,239
Total assets at December 31	84,330	70,515	50,920
Capital expenditures and investments	16,133	16,198	9,694

We are an integrated company with a dominant market share in our home market. We own and operate 12 refineries in Brazil, with a total net distillation capacity of 2,013 mbb/d, and are one of the world's largest refiners. As of December 31, 2011, we operated substantially all of Brazil's total refining capacity. We supplied almost all of the refined product needs of third-party wholesalers, exporters and petrochemical companies, in addition to the needs of our Distribution segment. We operate a large and complex infrastructure of pipelines and terminals and a shipping fleet to transport oil products and crude oil to domestic and export markets. Most of our refineries are located near our crude oil pipelines, storage facilities, refined product pipelines and major petrochemical facilities, facilitating access to crude oil supplies and end-users.

We also import and export crude oil and oil products. The demand for oil products in Brazil is increasing rapidly, driven primarily by economic growth. Particularly in 2011, we met this incremental growth in demand by increasing imports as our refining capacity was not sufficient to meet the increased demand. This increase in imports increased our cost of sales and decreased our margins in 2011. See Item 5. "Operating and Financial Review and Prospects." We expect the need for imports to decline in the future as we build additional refining capacity and

upgrade our refineries to facilitate the processing of domestically produced crudes.

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Our Refining, Transportation and Marketing segment also includes petrochemical operations that add value to the hydrocarbons we produce and meet the needs of the growing Brazilian economy.

We participate in refining, transportation and marketing operations outside of Brazil through our International business segment. See “—International.”

Refining

Our refining capacity in Brazil as of December 31, 2011, was 2,013 mbb/d and our average throughput during 2011 was 1,862 mbb/d.

The following table shows the installed capacity of our Brazilian refineries as of December 31, 2011, and the average daily throughputs of our refineries in Brazil and production volumes of principal oil products in 2011, 2010 and 2009.

Capacity and Average Throughput of Refineries

Name (Alternative Name)	Location	Crude Distillation Capacity at December 31, 2011 (mbbl/d)	Average Throughput		
			2011	2010 (mbbl/d)	2009
LUBNOR	Fortaleza (CE)	8	7	8	7
RECAP (Capuava)	Capuava (SP)	49	43	36	44
REDUC (Duque de Caxias)	Rio de Janeiro (RJ)	239	254	256	238
REFAP (Alberto Pasqualini)	Canoas (RS)	189	148	145	169
REGAP (Gabriel Passos)	Betim (MG)	151	129	143	140
REMAN (Isaac Sabbá)	Manaus (AM)	46	42	42	41
REPAR (Presidente Getúlio Vargas)	Araucária (PR)	195	193	170	185
REPLAN (Paulínia)	Paulínia (SP)	396	373	316	341
REVAP (Henrique Lage)	São Jose dos Campos (SP)	252	240	238	241
RLAM (Landulpho Alves)	Mataripe (BA)	281	233	250	220
RPBC (Presidente Bernardes)	Cubatão (SP)	172	166	160	165
RPCC (Potiguar Clara Camarão)	Guamaré (RN)	35	34	33	
Total		2,013	1,862	1,798	1,791

In recent years, we have made substantial investments in our refinery system for the following purposes:

- Improve gasoline and diesel quality to comply with stricter environmental regulations;
- Increase crude slate flexibility to process more Brazilian crude, taking advantage of light/heavy crude price differentials;
- Increase residuum conversion; and
- Reduce the environmental impact of our refining operations.

In 2011, we invested a total of U.S.\$5,613.75 million in our refineries, of which U.S.\$2,108.89 million was invested for hydrotreating units to improve the quality of our diesel and gasoline and U.S.\$1,039.19 million for coking units to convert heavy oil into lighter products. In 2011, as a result of investments that allowed for more flexibility in our refineries, we reduced the need for additional imports of middle distillates by 23 million barrels (or 63 mbb/d).

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During 2012, we expect to complete the following investment projects at our refineries:

- Diesel quality upgrades at REPAR, REGAP and RLAM;
- Gasoline quality upgrades at REPAR, REPLAN, REFAP, RPBC, REVAP, RLAM and RECAP; and
- Delayed coking units at REPAR.

The following refinery upgrades are underway for expected completion between 2013 and 2014:

- Diesel quality upgrades at REGAP, REDUC, REPLAN and RPBC;
- Gasoline quality upgrades at REPLAN; and
- Delayed coking units at REPAR.

The following refinery upgrade projects are scheduled for completion after 2014:

- Diesel quality upgrades at REDUC; and
- Mild thermal cracking units to improve diesel and quality upgrades for diesel and gasoline at REMAN.

By the end of 2013, we will reduce the maximum sulfur content of the diesel produced in our refineries from 1800 ppm to 500 ppm, and nine of our refineries (RLAM, REGAP, REDUC, REPLAN, RPBC, RECAP, REVAP, REPAR, RNEST) are expected to be able to produce 10 ppm sulfur diesel. By the beginning of 2014, we will reduce the maximum sulfur content of the gasoline produced in our refineries from 1,000 ppm to 50 ppm.

Major Refinery Projects

Brazil has one of the world's most dynamic economies with above average rates of demand growth for transportation fuels, particularly gasoline, diesel and jet fuel. We are planning capacity expansions to meet the needs of this growing market and add value to our growing volumes of crude oil production in Brazil. We are currently building three new refining facilities:

- Complexo Petroquímico do Rio de Janeiro—Comperj, an integrated refining and petrochemical complex. We broke ground in 2008, and began construction in 2010. The 165 mbb/d refining operation is scheduled to start up in 2014. A second phase, scheduled for 2018, will increase capacity to 330 mbb/d and add petrochemicals production.
- Abreu e Lima, a refinery in Northeastern Brazil is designed to process 230 mbb/d of crude oil to produce 162 mbb/d of low sulfur diesel (10 ppm) as well as LPG, naphtha, bunker fuel and petroleum coke. We expect operations to come on stream in 2013, in a proposed partnership with Petróleos de Venezuela S.A. (PDVSA), the Venezuelan state oil company.
- Premium I in the State of Maranhão is designed to process 20° API heavy crude oil, maximize production of low sulfur diesel, and also produce LPG, naphtha, low sulfur kerosene, bunker fuel and petroleum coke. This refinery will be built in two phases of 300 mbb/d each. We broke ground in 2011 and expect operations to come on stream in 2016 (Phase I) and 2019 (Phase II).

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We are also in the planning stage for another new refinery in Northeastern Brazil:

- Premium II in the State of Ceará will have a processing capacity of 300 mbb/d and will follow the same specifications as Premium I. The Premium facilities will be able to reduce costs and achieve efficiencies through simplification and standardization of the projects.

The following tables summarize output of oil products and sales by product in Brazil for the last three years.

Domestic Output of Oil Products: Refining and marketing operations, mbb/d⁽³⁾

	2011	2010	2009
Diesel	745	716	737
Gasoline	395	351	331
Fuel oil	234	243	243
Naphtha	109	133	143
LPG	137	132	135
Jet fuel	93	80	74
Other	183	177	160
Total domestic output of oil products	1,896	1,832	1,823
Installed capacity	2,013	2,007	1,942
Utilization (%)	92	90	92
Domestic crude oil as % of total feedstock processed	82	82	79

(1) Unaudited.

(2) As registered by the ANP.

(3) Output volumes are larger than throughput volumes as a result of gains during the refining process

Domestic Sales Volumes, mbb/d

	2011	2010	2009
Diesel	880	809	740
Gasoline	489	394	338
Fuel oil	82	100	101
Naphtha	167	167	164
LPG	224	218	210
Jet fuel	101	90	77
Other	188	180	140
Total oil products	2,131	1,958	1,770
Ethanol and other products	86	99	96
Natural gas	304	312	240
Total domestic market	2,521	2,369	2,106
Exports	655	698	707
International sales and other operations	540	581	541
Total international market	1,195	1,279	1,248
Total sales volumes	3,716	3,648	3,354

Delivery Commitments

We sell crude oil through long-term and spot-market contracts. Our long-term contracts specify the delivery of fixed and determinable quantities, subject to a price negotiation with third parties on a delivery-by-delivery basis. We are committed through long-term contracts to deliver a total of approximately 350 mbb/d in 2012. We believe our domestic proved reserves will be sufficient to allow us to continue to deliver all contracted volumes. For 2012, approximately 68% of our exported crude oil will be committed to meeting our contractual delivery commitments to third parties.

Imports and Exports

We use exports and imports of crude oil and oil products to balance our domestic production and refinery

capacity with market needs and optimize our refining margins. Much of the crude oil we produce in Brazil is heavy or intermediate, and we import some light crude to balance the slate for our refineries, which were originally designed to run on lighter imported crude, and export heavier crude that is surplus to our needs.

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We import oil products, for which there is insufficient production capacity in our Brazilian refineries. Our imports and exports of oil products depend on production capacity, demand levels and relative pricing in the Brazilian market. The table below shows our exports and imports of crude oil and oil products in 2011, 2010 and 2009:

Exports and Imports of Crude Oil and Oil Products, mbb/d			
	2011	2010	2009
Exports(1)			
Crude oil	435	497	478
Fuel oil (including bunker fuel)	173	153	150
Gasoline	3	14	38
Other	41	33	39
Total exports	652	697	705
Imports			
Crude oil	362	316	396
Diesel and other distillates	199	177	78
LPG	61	58	45
Gasoline	43	9	0
Naphtha	64	42	25
Other	20	13	3
Total imports	749	615	547

(1) Includes sales made by PifCo to unaffiliated third parties, including sales of oil and oil products purchased internationally.

Logistics and Infrastructure for oil and oil products

We own and operate an extensive network of crude oil and oil products pipelines in Brazil that connect our terminals, refineries and other primary distribution points. On December 31, 2011, our onshore and offshore, crude oil and oil products pipelines extended 15,436 km (9,593 miles). We operate 28 marine storage terminals and 20 other tank farms with nominal aggregate storage capacity of 65 million barrels. Our marine terminals handle an average 10,643 tankers annually. We are working in partnership with other companies to develop and expand Brazil's ethanol pipeline and logistics network.

Until 1998, we held the monopoly on oil and natural gas pipelines in Brazil and shipping oil products to and from Brazil. The deregulation of the Brazilian oil sector in that year provided for open competition in the construction and operation of pipeline facilities and gave the ANP the power to authorize entities other than Petrobras to transport crude oil, natural gas and oil products. In accordance with this deregulation, we transferred our transportation and storage network and fleet to a separate wholly owned subsidiary, Petrobras Transporte S.A.—Transpetro, to allow third parties to access our excess capacity on a non-discriminatory basis. We enjoy preferred access to the Transpetro network based on our historical usage levels and, in practice, third parties make very limited use of this network.

We operate a fleet of owned and chartered vessels. These provide shuttle services between our producing basins offshore Brazil and the Brazilian mainland, and shipping to other parts of South America and internationally. The fleet includes double-hulled vessels, which operate internationally where required by law, and single-hulled vessels, which operate in South America and Africa only. We are increasing our fleet of owned vessels to replace older vessels, decrease our dependency on chartered vessels and exposure to charter rates tied to the U.S. dollar, and accommodate growing production volumes. Upgrades will include replacing single-hulled tankers with double-hulled vessels and replacing vessels nearing the end of their 25-year useful life. Our long-term strategy continues to focus on the flexibility afforded by operating a combination of owned and chartered vessels.

We plan to take delivery of another 48 new vessels by 2016, all to be built in Brazilian shipyards. We have ongoing contracts with five shipyards for delivery of 40 large oil tankers, bunkering vessels and LPG carriers between 2011 and 2016. We expect to contract an additional eight product tankers in the beginning of 2012. The first product

vessel, the MV Celso Furtado, was delivered on November 25, 2011.

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The table below shows our operating fleet and vessels under contract as of December 31, 2011.

Owned and Chartered Vessels in Operation and Under Construction Contracts at December 31, 2011

	In Operation		Under Contract/Construction	
	Number	Tons Deadweight Capacity	Number	Tons Deadweight Capacity
Owned fleet:				
Tankers	44	2,815,719	32	3,440,450
LPG tankers	6	40,171	8	38,600
Anchor Handling Tug Supply (AHTS)	1	2,163	0	0
Floating, Storage and Offloading (FSO)	1	28,903	0	0
Layed-up vessel	3	129,623	0	0
Total	55	3,016,579	40	3,479,050
Chartered vessels:				
Tankers	174	16,260,464	0	0
LPG tankers	12	225,744	0	0
Total	186	16,486,208	0	0

Petrochemicals

Our petrochemicals operations provide an outlet for our growing production volumes of gas and other refined products, which increases our value added and provides domestic sources for products that would otherwise be imported. Our strategy is to increase domestic production of basic petrochemicals and engage in second generation and biopolymer activities through investments in companies in Brazil and abroad, capturing synergies within all our businesses.

In the past, the Brazilian petrochemicals industry was fragmented, with a large number of small companies that were not internationally competitive. We participated in consolidating and restructuring the Brazilian petrochemicals industry in a series of mergers and capital subscriptions, creating Brazil's largest petrochemicals company – Braskem S.A. (Braskem) – a publically traded company in which we hold a 36.1% interest. Braskem operates 35 petrochemical plants, produces basic petrochemical and plastics and conducts related distribution and waste processing operations.

The table below sets forth the primary production capacities of Braskem as of December 31, 2011:

Braskem: Nominal Capacity by Petrochemical Type

	(mmt/y)
Braskem	
Ethylene	3.95
Propylene	1.54
Polyethylene	3.24
Polypropylene	3.97
PVC	0.51
Cumene	0.32

On April 1, 2011, we announced the acquisition of Innova S.A., which produces, among other products, styrene, polystyrene and ethylbenzene.

We have three new petrochemical projects under construction or in various stages of engineering or design:

- Complexo Petroquímico do Rio de Janeiro—Comperj: In the second phase of Comperj, scheduled for 2018, we have plans to develop a petrochemicals complex to be integrated with the Comperj refinery to produce materials for the plastics industry;
- PetroquímicaSuape Complex in Pernambuco: to produce purified terephthalic acid (PTA), polyethylene terephthalate (PET) resin, and polymer and polyester filament textiles; and

- Companhia de Coque Calcinado de Petróleo—Coquepar: calcined petroleum coke plant in the State of Paraná, with a capacity of 0.35 million t/y.

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Distribution

Distribution Key Statistics

	2011	2010	2009
	(U.S.\$ million)		
Distribution:			
Sales revenues	44,001	37,282	29,652
Income (loss) before income taxes	1,134	1,081	914
Total assets at December 31	7,885	7,384	6,304
Capital expenditures and investments	679	515	331

We are Brazil's leading oil products distributor, operating through our own retail network, through our own wholesale channels, and by supplying other fuel wholesalers and retailers. Our Distribution segment sells oil products that are primarily produced by our Refining, Transportation and Marketing segment (RTM), and works to expand the domestic market for these oil products and for other fuels, including LPG, ethanol and biodiesel.

The primary focus of our Distribution segment is to:

- Lead the market in the domestic distribution of oil products and biofuels, increasing our market share and profit through an integrated supply chain; and
- Be the preferred brand of our consumers while upholding and promoting social and environmental responsibility.

We supply and operate Petrobras Distribuidora S.A.—BR, which accounts for 39.2% of the total Brazilian retail and wholesale distribution market. BR distributes oil products, ethanol and biodiesel, and vehicular natural gas to retail, commercial and industrial customers. In 2011, BR sold the equivalent of 846.1 mbbbl/d of oil products and other fuels to wholesale and retail customers, of which the largest portion (44.1%) was diesel.

At December 31, 2011, our BR branded service station network was Brazil's leading retail marketer, with 7,485 service stations, or 19.2% of the stations in Brazil. BR-owned and franchised stations make up 31.9% of Brazil's retail sales of diesel, gasoline, ethanol, vehicular natural gas and lubricants.

Most BR stations are owned by franchisees that use the BR brand name under license and purchase exclusively from us; we also provide franchisees with technical support, training and advertising. We own 723 of the BR stations and are required by law to subcontract the operation of these owned stations to third parties. We believe that our market share position is supported by a strong BR brand image and by the remodeling of service stations and addition of lubrication centers and convenience stores.

Our wholesale distribution of oil products and biofuels under the BR brand to commercial and industrial customers accounts for 55.4% of the total Brazilian wholesale market. Our customers include aviation, transportation and industrial companies, as well as utilities and government entities.

We also sell oil products produced by RTM to other retailers and to wholesalers.

Our LPG distribution business, Liquigas Distribuidora, held a 22.8% market share and ranked second in LPG sales in Brazil in 2011, according to the ANP.

Oil products sales in Brazil increased 3.4% in 2011 compared to 2010. This increase was due mainly to Brazil's economic growth and its corresponding growth in household income and consumer credit.

We participate in the retail sector in other South American countries through our International business segment. See "—International."

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Gas and Power

Gas and Power Key Statistics

	2011	2010	2009
	(U.S.\$ million)		
Gas and Power:			
Sales revenues	9,738	8,492	4,923
Income (loss) before income taxes	2,725	990	738
Total assets at December 31	27,645	30,109	24,926
Capital expenditures and investments	2,293	3,964	5,398

For more than two decades, we have been working actively to simultaneously develop Brazil's natural gas reserves, production, infrastructure and markets. As a result of our efforts, natural gas in 2010 supplied 10.3% of Brazil's total energy needs, compared to 3.7% in 1998, and is projected to supply 14.2% of Brazil's total energy needs by 2020, according to Empresa de Pesquisa Energética, a branch of the MME.

In 2011, we supplied, through our own production and imports, 62.8 mmm³/d (2,218.2 mmcf/d). This volume is directed to the market and our refineries, fertilizer operations and gas-fired power plants. The development plans for our Exploration and Production operations are expected to result in substantial increases in gas production from the Espírito Santo and Santos Basins off the Brazilian coast, including from pre-salt reservoirs. We expect domestic gas production to play an increasingly important role in the supply mix, but we will continue to import gas from Bolivia and use LNG imports selectively to provide supplemental supplies, particularly to meet surges in demand from the power sector.

Our Gas and Power segment is responsible for monetizing and delivering the gas produced by our Exploration and Production segment, and gas purchased from other sources, including imported LNG. The segment comprises gas transmission and distribution, LNG regasification, the manufacture of nitrogen-based fertilizers, gas-fired power generation, and power generation from renewable sources, including solar, wind and small-scale hydroelectric.

The primary focus on our Gas and Power segment is to:

- Add value by monetizing Petrobras' natural gas resources;
- Assure flexibility and reliability in the commercialization of natural gas;
- Expand the use of LNG to meet Brazilian gas demand and diversify our supply of natural gas;
- Optimize our thermoelectric power plant portfolio and supplement it with power generation from renewables; and
- Create an additional flexible means of monetizing our natural gas resources by investing in capacity to manufacture nitrogen fertilizers.

Natural Gas

Natural gas consumption in Brazil by industrial, commercial and retail customers increased 7% in 2011 compared to 2010. This increase was due mainly to Brazil's economic growth and more flexible contractual forms. Natural gas consumption in the power generation industry decreased 34% from 2010 to 2011 due to favorable rainfall, which improved the reservoir storage levels of Brazilian hydroelectric power plants. Natural gas consumption by refineries and fertilizer plants increased 18%.

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Following a multi-year infrastructure development program, including investments of approximately U.S.\$15 billion (R\$29.74 billion) in the last five years, we have built an integrated system centered around two main, interlinked pipeline networks that allow us to deliver natural gas from our main offshore natural gas producing fields in the Santos, Campos and Espírito Santo Basins, as well as from two LNG terminals and a gas pipeline connection with Bolivia.

In 2011, we completed four natural gas pipelines, adding 221.2 km (137.5 miles) to our integrated network. The most significant of these pipeline additions was GASTAU, which connected our natural gas production in the Santos Basin to our integrated network. Our natural gas pipelines span 9,251 km (5,748 miles).

In 2011, we invested U.S.\$1,670 million in our pipeline network, and in 2012, we plan to invest a further U.S.\$904 million for incremental additions to our gas transportation system.

The map below shows our gas pipeline networks and LNG terminals.



We own and operate two LNG terminals, one in Rio de Janeiro with a send-out capacity of 20 mmm³/d (706 mmcf/d), and the other in Pecém (Ceará) in Northeastern Brazil with a send-out capacity of 7 mmm³/d (247 mmcf/d). The terminals are supported by two LNG regasification vessels with capacities of 14 mmm³/d (494 mmcf/d) and 7 mmm³/d (247 mmcf/d). These terminals and regasification ships give us the flexibility to import gas to supplement domestic natural gas supplies. In 2011, we purchased 14 LNG cargoes, of which 12 were imported into Brazil and two were sold in international markets, which comprises two re-exports from Brazil. In addition, we will build a third LNG terminal in the State of Bahia, the construction of which will begin in 2012 and which we expect to be completed in 2013.

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We hold interests ranging from 24% to 100% in 21 of Brazil's 27 local gas distribution companies. In particular, we acquired a 100% interest in Gas Brasileiro Distribuidora S.A., granting us access to São Paulo, the largest natural gas market in Brazil. We had approximately a 25% net equity interest in the combined 47.6 mmm³/d (1,682 mmcf/d) of natural gas distributed by Brazil's local distribution companies in 2011.

According to our estimates, our two most significant holdings, CEG Rio and Bahiagás, are Brazil's third and fourth largest gas distributors. These companies, together with independent distributors Comgás and CEG supply 59% of the Brazilian market.

Principal Natural Gas Local Distribution Holdings

Name	State	Group Share %	Average Gas Sales in 2011 (mmm ³ /d)	Customers
CEG RIO	Rio de Janeiro	37.41	4,307	28,082
BAHIAGAS	Bahia	41.50	3,843	8,571
PETROBRAS DISTRIBUIDORA	Espírito Santo	100.0	2,942	24,295
GASMIG	Minas Gerais	40.00	2,919	405

The table below shows the sources of our natural gas supply, our sales and internal consumption of natural gas, and revenues in our local gas distribution operations for each of the past three years.

Supply and Sales of Natural Gas in Brazil, mmm³/d

	2011	2010	2009
Sources of natural gas supply			
Domestic production	34.1	28.6	23.0
Imported from Bolivia	27.1	27.1	22.4
LNG	1.6	7.6	0.7
Total natural gas supply	62.8	63.3	46.1
Sales of natural gas			
Sales to local gas distribution companies(1)	39.8	37.2	32.4
Sales to gas-fired power plants	8.2	12.2	4.1
Total sales of natural gas	48.0	49.4	36.5
Internal consumption (refineries, fertilizer and gas-fired power plants)(2)	14.8	13.9	9.6
Revenues (U.S.\$ billion)(3)	5.9	4.7	3.5

(1) Includes sales to local gas distribution companies in which we have an equity interest.

(2) Includes gas used in the transport system.

(3) Excludes internal consumption.

Long-Term Natural Gas Commitments

When we began investment in the Bolivia-Brazil pipeline in 1996, we entered into long-term contracts with three companies:

- Gas Supply Agreement (GSA) with the Bolivian state-owned company Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), to purchase certain minimum volumes of natural gas at prices linked to the international fuel oil price through 2019, after which the agreement may be extended until all contracted volume has been delivered. On December 18, 2009, Petrobras and YPF signed the fourth amendment to the GSA, which provides for additional payments to YPF for liquids contained in the natural gas purchased by Petrobras through the GSA, of between U.S.\$100 million and U.S.\$180 million per year, retroactive to May 2007. As of February 2010, Petrobras has paid all obligations owed for 2007. Additional payments for subsequent years will only be paid with the fulfillment by YPF of conditions precedent established in the amendment. For the remaining contractual period of the GSA, Petrobras considers that the fulfillment of such conditions precedent is unachievable. Accordingly, such payment obligations have not been considered in our contractual GSA obligations forecast;

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- Ship-or-Pay agreement with Gás Transboliviano (GTB), owner and operator of the Bolivian portion of the pipeline to transport certain minimum volumes of natural gas through 2019; and
- Ship-or-Pay agreement with Transportadora Brasileira Gasoduto Bolivia-Brasil (TBG), owner and operator of the Brazilian portion of the pipeline to transport certain minimum volumes of natural gas through 2019.

Our volume obligations under the ship-or-pay arrangements were generally designed to match our gas purchase obligations under the GSA. The tables below show our contractual commitments under these agreements for the five-year period from 2012 through 2016.

Commitments to Purchase and Transport Natural Gas in Connection with Bolivia-Brazil Pipeline

	2012	2013	2014	2015	2016
Purchase commitments to YPFB					
Volume obligation (mmm ³ /d)(1)	24.06	24.06	24.06	24.06	24.06
Volume obligation (mmcf/d)(1)	850.00	850.00	850.00	850.00	850.00
Brent crude oil projection (U.S.\$)(2)	80.0	80.0	80.0	80.0	75.0
Estimated payments (U.S.\$ million)(3)	2,391.9	2,012.3	1,981.9	1,975.1	1,906.3
Ship-or-pay contract with GTB					
Volume commitment (mmm ³ /d)	30.00	30.00	30.00	30.00	30.00
Volume commitment (mmcf/d)	1,059.00	1,059.00	1,059.00	1,059.00	1,059.00
Estimated payments (U.S.\$ million)(5)	137.78	138.46	139.14	139.82	140.51
Ship-or-pay contract with TBG					
Volume commitment (mmm ³ /d)(4)	35.28	35.28	35.28	35.28	35.28
Volume commitment (mmcf/d)	1,246.09	1,246.09	1,246.09	1,246.09	1,246.09
Estimated payments (U.S.\$ million)(5)	501.32	510.42	526.34	526.87	527.40

(1) 25.3% of contracted volume supplied by Petrobras Bolivia.

(2) Brent price forecast based on our 2020 Strategic Plan.

(3) Estimated payments are calculated using gas prices expected for each year based on our Brent price forecast. Gas prices may be adjusted in the future based on contract clauses and amounts of natural gas purchased by Petrobras may vary annually.

(4) Includes ship-or-pay contracts relating to TBG's capacity increase.

(5) Amounts calculated based on current prices defined in natural gas transport contracts.

Gas Sales Contracts

In recent years, we introduced a variety of supply contracts designed to create flexibility in matching customer demand with our gas supply capabilities. These include flexible and interruptible long-term gas supply contracts, auction mechanisms for short-term contracts and weekly electronic auctions.

In 2011, a new gas sale contract – a seller delivery option aiming to help balance natural gas supply and demand – was introduced by us. Whenever there is a low dispatch of natural gas from gas-fired power plants, the excess natural gas volumes are offered to end consumers who ordinarily use energy sources other than natural gas. In this context, prices of gas are a function of the alternative energy source that is being replaced. Existing long-term natural gas sales contracts were also renegotiated in 2011 with local distribution company (LDCs) of natural gas in order to promote adjustments tailored to specific market demands. These negotiations encompassed term extensions for some contracts, prolonging our natural gas procurement portfolio. We continued offering contracts for short-term volumes (for both weekly and four-month periods) through electronic auctions.

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The table below shows our future gas supply commitments from 2012 to 2016, including sales to both local gas distribution companies and gas-fired power plants.

Future Commitments under Natural Gas Sales Contracts, mmm³/d					
	2012	2013	2014	2015	2016
To local gas distribution companies:					
Related parties(1)	19.68	20.86	21.88	21.02	21.54
Third parties	17.32	17.05	16.83	16.83	16.83
To gas-fired power plants:					
Related parties(1)	4.46	3.27	3.15	3.13	3.12
Third parties	5.93	7.30	8.06	7.92	7.78
Total(2)	47.39	48.48	49.92	48.90	49.27
Estimated contract revenues (U.S.\$ billion)(3)(4)	6.3	6.5	6.6	6.5	6.5

- (1) For purposes of this table, "related parties" include all local gas distribution companies and power generation plants in which we have an equity interest and "third parties" refer to those in which we do not have an equity interest.
- (2) Estimated volumes are based on "take or pay" agreements in our contracts, expected volumes and contracts under negotiation (including renewals of existing contracts), not maximum sales.
- (3) Figures show revenues net of taxes. Estimates are based on outside sales and do not include internal consumption or transfers.
- (4) Prices may be adjusted in the future and actual amounts may vary.

Short-Term Natural Gas Commitments

In 2009, we contributed to the development of a short-term market for natural gas sales, focusing on the industrial market as an alternative to the market for power generation when the power plants are not being dispatched. Sales under these short-term contracts were accomplished by an electronic auction system conducted by means of the Internet. These auctions commercialized natural gas volumes reserved for but not otherwise utilized by local gas distributors, and allowed us to offer end users more competitive prices. On average, 4.4 mmm³/d of natural gas were sold under these short-term contracts in 2009, with volumes reaching 7.8 mmm³/d in 2010 and 6.7 mmm³/d in 2011. The last auction resulted in a sales record of 8.8 mmm³/d for a four-month delivery period.

In April 2010, we implemented a new method for selling short-term natural gas. On a weekly basis, we offer for sale to the non-thermoelectric market volumes of natural gas that had been originally reserved for gas-fired power plants but that were not dispatched. Under this method, weekly sales begin with orders from gas distribution companies for deliveries to be made within the subsequent four-week period. Depending on the availability and cost of natural gas during that period, we have the option of either accepting or rejecting the orders. This new method allowed us to sell an average of 348,000 m³/d of natural gas in 2010 and 70,000 m³/d of natural gas in 2011, with a sales record of 500,000 m³/d in December 2011.

Fertilizers

We are expanding production of nitrogenous fertilizers in order to meet the growing needs of Brazilian agriculture, to substitute for imports, and to expand the market for natural gas.

Our fertilizer plants in Bahia and Sergipe produce ammonia and urea for the Brazilian market. In 2011, these plants sold a combined 240,665 t of ammonia and 831,642 t of urea.

Nitrogenous Sales (ton)			
	2010	2011	%
Ammonia	235,739	240,665	+2.1
Urea	772,059	831,642	+7.7

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We are also expanding production of nitrogenous fertilizers. To this end, we are conducting feasibility studies for four additional facilities:

- UFN III, with the ability to sell 1.22 million t/y of urea and 70 million t/y of ammonia from 2.2 mmm³/d of natural gas, expected to start up in September 2014;
- UFN IV, with the ability to sell 755,000 t/y of urea and 721,000 t/y of methanol from 3.5 mmm³/d of natural gas, expected to start up in June 2017. 42,000 t/y of melamine will be produced from the foregoing quantity of urea, and 211,000 t/y of acetic acid and 26,000 t/y of formic acid will be produced from the foregoing quantity of methanol;
- UFN V, with the ability to sell 519,000 t/y of ammonia from 1.3 mmm³/d of natural gas, expected to start up in September 2015; and
- Sergipe, with the ability to sell 303,000 t/y of ammonium sulfate from 226 t/d of ammonia, expected to start up in May 2013.

These facilities would reduce Brazil's deficit in these fertilizers while increasing the demand for our natural gas produced offshore.

Power

To further our goal of developing natural gas demand in Brazil, we have invested in power plants and the associated system of gas supply contracts. These plants are designed to supplement power from the hydroelectric stations that supply an average of 90% of the country's electric power needs in a given year. Gas-fired power is particularly needed during times of peak demand, high economic growth, and drought.

We own interests in 28 thermoelectric power plants with a combined installed capacity at year-end 2011 of 6,385 MW, equivalent to 73% of Brazil's total thermoelectric gas capacity. Of this total, 6,009 MW was in thermoelectric plants controlled by us and 97% (or 5,806 MW) was in the *Sistema Interligado Nacional*—SIN (National Interconnected Power Grid).

Under Brazil's power pricing regime, we may sell only power-generating capacity that is certified by the MME. At year-end 2011, due to gas supply constraints, the MME certified 3,776 MWavg of commercial capacity, or 65% of the installed capacity controlled by us in the SIN.

In 2011, the Brazilian hydroelectric system generated 51,397 MWavg of electricity, or 90% of the country's needs. The SIN was called upon to supplement this power with an average 4,971 MW, of which we generated an average 653 MW of electricity in 2011, compared to 1,837 MW in 2010.

We also export energy to neighboring countries. In 2011, we exported 113 MWavg to Argentina and Uruguay compared to 110.2 MWavg in 2010.

Commitments for Future Generation Capacity and Electricity Sales

Under a 2007 agreement with the ANEEL, we are committed to increasing our ability to supply power to the grid by increasing natural gas supplies, including LNG, converting some existing power plants to dual-fuel operation and leasing backup oil-fired power plants. By 2012, we are committed to supply up to 5,938 MW of installed capacity and expect to have an average 3,970 MW certified capacity available for sale, exclusive of our own power requirements.

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The table below shows the installed capacity and commercial capacity of the thermoelectric power plants controlled by us for 2011 through 2014 under our agreement with the ANEEL:

Installed Power Capacity and Utilization

	2011	2012(2)	2013	2014
Gross installed capacity (MW)	5,609	5,938	5,537	5,855
Certified commercial capacity(1) (MWavg)	3,776	3,970	3,826	4,084

(1) Weighted average of certified commercial capacity for the year.

(2) Our installed and commercial capacity will be reduced in 2013 due to the termination of our lease of the Araucaria thermoelectric power plant.

In 2011, we invested U.S.\$359.9 million (R\$599.9 million) in thermoelectric generation.

We sell our power output under long-term contracts for “standby availability” and long-term bilateral contracts, primarily with power distribution companies. Of the total 4,172 MWavg of power available for sale in 2012 (including the certified commercial capacity of our plants and 202 MWavg of power purchased from third parties), approximately 46% has already been sold as standby availability in the 2005 and 2006 auctions, and approximately 54% has been committed under bilateral contracts. We also have the option to fulfill our contractual commitments by purchasing power from third parties.

In the 2005 and 2006 auctions, we sold standby availability of 1,391 and 205 MWavg, respectively, on 15-year contracts beginning in 2008 to 2011. This represented most of our capacity that is eligible to be sold through the auction system. Under the terms of these contracts, we will be compensated a fixed amount whether or not we generate any power. Additionally, we receive an extra amount for the energy we actually generate at a price that is set on the date of the auction and revised annually based on an inflation-adjusted fuel oil basket. We have been compensated for the standby availability from the 2005 and 2006 auctions since 2008, with the capacity compensation stepping up through 2011, at which time it stabilizes.

In addition, in the new energy auction (*Leilão de Energia Nova*) held on August 17, 2011, we committed to selling 416.4 MWavg from our Baixada Fluminense plant for the period of March 2014 through December 2033.

Our future commitments under bilateral contracts are 1,899 MWavg in 2012, 1,590 MWavg in 2013 and 1,604 MWavg in 2014. The agreements will run off gradually, with the last contract expiring in 2028. As existing bilateral contracts run-off, we will sell our remaining certified power-generation capacity under short- and medium-term bilateral contracts and auctions conducted by us and by the MME.

The following table summarizes our commitments under standby availability and bilateral contracts, power purchased from third parties, and the power we expect to be available for sale.

Power Available for Sale and Power Commitments

	2010	2011	2012	2013	2014
	(MWavg)				
Total available for sale:					
Commercial capacity (MW)(1)	3,619	3,776	3,970	3,826	4,084
Purchased from third parties	234	214	202	200	200
Commitments:					
Standby availability auctions	1,391	1,596	1,596	1,596	1,847
Bilateral contracts	2,442	2,394	1,899	1,590	1,604
Remaining available for sale (1)(2)	20	0	677	840	833

(1) Projections based on existing capacity and expected supply of gas.

(2) Represents the remaining commercial capacity available for sale beginning in 2011.

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Renewable Energy

We have invested, alone and in partnership with other companies, in renewable power generation sources in Brazil including wind and small hydroelectric plants. Our net interests are equivalent to 316.5 MW of hydroelectric capacity and 105.8 MW of wind capacity. We and our partners sell energy from these plants directly to the Brazilian federal government via “reserve energy” auctions.

International

International Key Statistics

	2011	2010	2009
	(U.S.\$ million)		
International:			
Sales revenues	16,956	13,519	10,239
Income (loss) before income taxes	2,117	1,053	207
Total assets at December 31	19,427	16,958	15,293
Capital expenditures and investments	2,631	2,712	3,436

We have operations in 24 countries outside of Brazil, encompassing all phases of the energy business. The primary focus of our international operations is to:

- Use our technical expertise in deepwater exploration and production to participate in high-potential and frontier offshore regions; and
- Integrate international downstream operations aligned with our domestic activities.

International Upstream Activities

Most of our international activities are in exploration and production of oil and gas. We have long been active in Latin America. In the Gulf of Mexico and West Africa, we focus on opportunities to leverage the deepwater expertise we have developed in Brazil. We have preliminary exploratory efforts underway in other regions.

In 2011, our net production outside Brazil averaged 144.88 mbbbl/d of crude oil and NGLs and 16.54 mmm³/d (584.01 mmcf/d) of natural gas, representing 9.8% of our total production on a barrels of oil equivalent basis.

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The table below shows our main exploration and production projects being developed worldwide, as of December 31, 2011. Additional information about certain of these projects and our exploration and production activities is provided in the text that follows.

Main International Exploration and Production Assets in Development

	Countries	Main projects in development	Phase	Operated by	Petrobras interest (%)
South America					
1	Argentina(1)	Sierra Chata	Production	Petrobras	46
		El Tordillo	Production	Partner	36
		Santa Cruz I Oeste	Production	Petrobras	50
		25 de Mayo – Medanito	Production	Petrobras	100
		Rio Neuquen	Production	Petrobras	100
		Santa Cruz I	Production	Petrobras	71
		El Mangrullo	Production	Petrobras	100
		Parva Negra	Exploration	Petrobras	100
2	Bolivia	San Alberto	Production	Petrobras	35(2)
		San Antonio	Production	Petrobras	35(2)
		Itaú	Exploration	Petrobras	30(2)
3	Colombia	Guando	Production	Petrobras	15
		Yalea	Production	Partner	50
		Espinal	Production	Petrobras	33
		Balay 1	Exploration	Petrobras	45
		Tayrona	Exploration	Petrobras	40
		Cebucan	Exploration	Petrobras	50
		Villarica Norte	Exploration	Petrobras	50
4	Peru	Lote 10	Production	Petrobras	100
		Lote 57	Exploration	Partner	45.16
		Lote 58	Exploration	Petrobras	100
5	Uruguay	Block 3	Exploration	Partner	40
		Block 4	Exploration	Petrobras	40
6	Venezuela	Oritupano-Leona	Production	Partner	22(3)
		Acema	Production	Partner	34(3)
		La Concepción	Production	Partner	36(3)
		Mata	Production	Partner	34(3)
North America					
7	Mexico	Cuervito	Production	Petrobras	45(4)
		Fronterizo	Production	Petrobras	45(4)
8	U.S.	Cascade	Production	Petrobras	100
		Chinook	Development	Petrobras	66.67
		Coulumb (MC-613)	Production	Partner	33.33
		Cottonwood	Production	Petrobras	100
		St. Malo	Development	Partner	25
		Tiber	Development	Partner	20
		Stones	Development	Partner	25
		Big Bend	Exploration	Petrobras	50
		Latigo	Exploration	Partner	50
		Logan	Exploration	Partner	35

Africa

9	Angola	Block 2/85	Production	Partner	27.5
		Block 6/06	Exploration	Petrobras	40
		Block 18/06	Exploration	Petrobras	30
		Block 26	Exploration	Petrobras	40
10	Benin	Block 4	Exploration	Partner	50
11	Gabon	Ntsina Marin	Exploration	Partner	50
		Mbeli Marin	Exploration	Partner	50
12	Namibia	2714A	Exploration	Partner	50

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Main International Exploration and Production Assets in Development

	Countries	Main projects in development	Phase	Operated by	Petrobras interest (%)
13	Nigeria	Akpo	Production	Partner	20
		Agbami	Production	Partner	13
		Egina	Development	Partner	20
		Egina South	Exploration	Partner	20
		Preowei	Exploration	Partner	20
14	Tanzania	Block 5	Exploration	Petrobras	50
		Block 6	Exploration	Petrobras	50
Europe					
15	Portugal	Peniche	Exploration	Petrobras	50
		Alentejo	Exploration	Petrobras	50
Oceania					
16	New Zealand	Block 52707	Exploration	Petrobras	100

- (1) Most of the Argentine exploration and production projects are held through our indirect 67.2% share in Petrobras Argentina S.A. (PESA).
- (2) Production-sharing contract, under which Petrobras' expenditures are reimbursed only if exploration results in economically viable oil discoveries.
- (3) Joint venture through Petrobras Argentina S.A. (PESA).
- (4) Non-risk service contract, under which Petrobras' expenditures are reimbursed regardless of whether exploration results in economically viable oil discoveries.

During 2011, our capital expenditures and investments for international exploration and production totaled U.S.\$2.34 billion, representing 10.3% of our total exploration and production capital spending.

South America

We are present in Argentina, Bolivia, Colombia, Peru, Venezuela and Uruguay. In 2011, our average net production from South America (outside of Brazil) was 180.56 mboe/d, or 75% of our international production. Reserves in the region represent 69% of our international reserves. Our most significant natural gas production operations outside of Brazil are located in Argentina and Bolivia, where we produced an average 15.62 mmm³/d (551.74 mmcf/d) of natural gas in 2011, or 94% of our international production. Argentina and Bolivia together accounted for 31% of our worldwide production of natural gas in 2011.

Our largest operating region outside Brazil is **Argentina**, where we operate primarily through our 67.2% interest in Petrobras Argentina S.A. (PESA). Our main oil production is concentrated in the Medanito, El Tordillo, La Tapera – Puesto Quiroga and Puesto Hernández fields, and our main gas production is concentrated in the El Mangrullo, Santa Cruz I and Sierra Chata fields in the province of Neuquén. We also hold direct and indirect interests of 52.6% in Petrolera Entre Lomas S.A. (PELSA), whose main oil production is in the Entre Lomas field.

In **Bolivia**, our production comes principally from the San Alberto and San Antonio fields. Following enactment of the Bolivian government's May 1, 2006 nationalization of hydrocarbons, we entered into new production-sharing contracts under which we continue to operate the fields, but are required to make all hydrocarbon sales to YPFB with the right to recover our costs and participate in profits. On January 25, 2009, Bolivia adopted a new constitution that prohibits private ownership of the country's oil and gas resources. As a result, we were not able to include any of our Bolivian proved reserves in our proved reserves for year-end 2011. We continue to report production from our operations in Bolivia under our existing contracts in that country. In January 2011, the Bolivian government approved the agreement between Petrobras Bolivia S.A. and Total E&P Bolivie S.A., according to which we have acquired a 30%

interest in the Itaú gas field and assumed control of the field's operations.

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In **Colombia**, our production of 7.38 mboe/d during 2011 originated mainly from the Guando, Upía, Espinal and Yalea blocks. Our portfolio in Colombia also includes the Canada Norte block, currently in its development stage, and the Cebucan and Balay blocks, among others, which are currently in the exploratory stage. Our last discovery in Colombia occurred in March 2010 in the Balay blocks, where ongoing tests have confirmed the presence of 28° API oil. In December 2011 and in February 2012, the contracts with respect to the Hobo, Upía and Caguan fields expired and their transfer to the Colombian government was completed.

In **Venezuela**, we are present through four joint ventures with subsidiaries of Petróleos de Venezuela S.A. (PDVSA), which hold production rights and in which we hold minority interests. PDVSA is the majority holder and operator.

In **Peru**, our production of 16.39 mboe/d during 2011 originated from Block X. Our portfolio in Peru also includes Lote 57 and Lote 58. Lote 57 comprises the Kinteroni Gas Project, currently in its development stage, and another component of Lote 57 currently in the exploratory stage. Our last discovery in Peru occurred in 2010 in Lote 58.

North America

In the **United States** we focus on deepwater fields in the Gulf of Mexico. As of December 31, 2011, we held interests in 176 offshore blocks, 130 of which we operate. Our production in the United States of 4.03 mboe/d during 2011 originated mainly from the Cottonwood field. Our portfolio in the United States also includes the Cascade and Chinook fields, where oil production began in February 2012. This project is the first Gulf of Mexico operation to use a FPSO. Other assets include Saint Malo, Stones and Tiber, which are currently in the development stage, and Latigo and Logan, among others, which are currently in the exploratory stage.

We have held non-risk service contracts for the Cuervito and Fronterizo Blocks in the Burgos Basin of **Mexico** since 2003. Under these service contracts, we receive fees for our services, but any producing wells and production are transferred to the Mexican national oil company Petróleos Mexicanos (Pemex). We also have agreements to share deepwater expertise with Pemex.

Europe

Under a concession agreement in partnership with Petrogal (Galp) and Partex, we are acquiring and analyzing seismic data related to the Peniche and Alentejo Basins offshore **Portugal**.

Africa

In **Angola**, we changed our portfolio of assets with the sale of 50% of our interest in Block 26 and our entire interest in Block 15. We also withdrew from Block 34, returning it to the government of Angola. In 2011, we produced a net 1.64 mboe/d from Block 2, which we do not operate.

In **Benin**, we acquired a 50% interest in offshore Block 4, which covers an area of approximately 7,400 km² and has water depths ranging from 200 to 3,000 meters (656 to 9,842 feet). Our commitment in Benin includes performing a 3D seismic study and processing of a 2,250 km² area. Once the exploration potential of the area is confirmed, the consortium will commit to drilling one or two wells, depending on the success of the first well. We also have the option to operate the block.

In **Gabon**, we acquired 50% of the rights to explore two offshore blocks, with water depths up to 2,400 meters (7,874 feet). The commitment includes performing a 3D seismic study and drilling wells if we decide to continue to the next phase of the project.

In **Namibia**, we plan to drill an exploratory well in 2012 in Block 2714A. This block is located in offshore Southern Namibia and covers an area of approximately 5,500 km² (1.4 million acres) in water depths from 150 to 1,500 meters (492 to 4,921 feet). In 2011, we became the operator of the block.

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In **Nigeria**, our net production is 55.99 mboe/d from the Agbami and Akpo fields, and we also have an interest in the Egina field project, currently in its development stage while the Preowei and Egina South fields are under appraisal.

In **Tanzania**, we sold our 50% interest in two offshore exploratory blocks - Blocks 5 and 6 - but remained the operators thereof. In Block 5, we decided to drill one exploratory well after the interpretation of results from the 3D seismic study. In Block 6, we may drill one exploratory well after the interpretation of results from the 3D seismic study.

Oceania

In April 2010, we acquired a 50% interest in an exploratory block in the North Carnarvon Basin in **Australia** and committed to drill the first exploration well. We have made no discoveries of natural gas in our Artemis-1 well and withdrew from the project in December 2011.

In **New Zealand**, we undertook a seismic 2D study of offshore Block 52707 in the Raukumara Basin, in which we have a 100% interest. Depending on the results of the 2D seismic study, we may pursue a 3D seismic study, subject to which we may drill one exploratory well.

Other International Activities

Our other international activities, including refining, petrochemicals, distribution and gas and power activities, are described below.

South America

We have integrated operations in South America, particularly in **Argentina**, where we participate across the energy value chain. In May 2011, we sold our interests in the San Lorenzo Refinery, including loading and unloading facilities, and about 360 points of sale and inventory for U.S.\$102 million. We own, through our interest in PESA, the Bahia Blanca Refinery, with a capacity of 30.5 mbb/d. We also hold an interest in the Refinor/Campo Duran Refinery and in two petrochemical plants in Argentina. We own 278 retail service stations. We also own the Pichi Picún Leufú hydroelectric plant, the Genelba gas-fired thermoelectric plant, an interest in natural gas transportation company TGS (Transportadora Gas del Sur), and interests in energy marketer Edesur, and Mega Company, a natural gas separation facility.

In **Bolivia**, we operate gas fields that supply gas to Brazil and Bolivia. We hold an 11% interest in GTB, owner of the Bolivian section of the Bolivia-to-Brazil (BTB) pipeline that transports natural gas we produce in Bolivia to the Brazilian market. We also hold a 44.5% interest in Transierra S.A., which owns the Yacuiba-Rio Grande gas pipeline (Gasyrg) linking the San Alberto and San Antonio fields to the BTB pipeline.

In **Chile**, our assets comprise 240 service stations, the distribution and sales of fuel at 11 airports and a lubricant plant.

In **Colombia**, our assets comprise 93 service stations and a lubricant plant.

In **Paraguay**, our assets comprise 173 service stations, the distribution and sales of fuel at two airports and one LPG refueling plant.

In **Uruguay**, we have fuel distribution operations, with 87 service stations. We also market marine products, asphalt and aviation products and distribution.

The portfolio of our Gas and Power segment includes two gas distribution companies in Uruguay, namely, Distribuidora de Gas Montevideo S.A (with retail sales in Montevideo) and Conecta S.A. (with national commercial sales). See “—Gas and Power”.

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North America

In the **United States** we own 100% of the Pasadena Refining System (PRSI) and 100% of PRSI's related trading company (PRSI Trading Company). On December 20, 2010, the 129th District Court of Harris County, Texas issued a ruling confirming an arbitration award issued on April 10, 2009, which found that Petrobras America, Inc. (PAI), our indirect subsidiary in the United States, and its affiliates had effectively acquired the remaining shares that led PAI to hold 100% of the interest held by our former partner Astra Oil Trading NV (Astra) and its affiliates in both PRSI and PRSI Trading Company, and set the put-option exercise price for PRSI and PRSI Trading Company at U.S.\$296 million and U.S.\$170 million, respectively. PAI does not object to the confirmation of the put option exercised by Astra and its affiliates or PAI's ownership of 100% of PRSI and 100% of PRSI Trading Company. However, PAI is appealing the December 20, 2010 ruling in order to challenge certain other aspects related to the implementation of the arbitral award. Enforcement of the judgment is suspended pending appeal. There are other ongoing judicial proceedings related to indemnifications among the parties involved.

Asia

In **Japan**, we own the Nansei Sekiyu Kabushiki Kaisha (NSS) refinery in Okinawa, which currently produces refined products such as gasoline and jet fuel. We also produce and market E3 fuel, a mixture of ethanol and gasoline.

Biofuel

Biofuel Key Statistics

	2011	2010	2009
	(U.S.\$ million)		
Biofuel:			
Sales revenues	320	272	118
Income (loss) before income taxes	(151)	(77)	(69)
Total assets at December 31	1,289	1,133	492
Capital expenditures	294	664	144

Brazil is a global leader in the use and production of biofuels. Today, 83.1% of new light vehicles sold in Brazil have flexfuel capability, and service stations offer a choice of 100% ethanol and an ethanol/gasoline blend. All diesel fuel sold in Brazil since January 2010 is required to be at least 5% biodiesel.

We supply 15.8% of Brazil's biodiesel and we act as a market catalyst by securing and blending biodiesel supplies and furnishing these to smaller distributors as well as our own service stations. Our biodiesel plants, located at Candeias and Quixada in Northeastern Brazil and at Montes Claros in Southeastern Brazil, purchase vegetable oils from small farmers and industrial producers. After various operational improvements, the capacity of these three plants totals 7.6 mbb/d. In 2011, we acquired 50% of BSBIOS, an important player in the biodiesel segment that has two plants in Southern Brazil. This acquisition increased our total capacity to 10.1 mbb/d.

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We participate in the growing ethanol industry through production, transportation, distribution, wholesale and exports, and by stimulating improvements in product quality. In accordance with our strategy to increase our participation in the ethanol industry, we invested U.S.\$13.0 million (R\$22.4 million) in 2011 to increase our interest in Total Agroindústria Canavieira S.A. to 43.58% from 40.37%. Similarly, we invested U.S.\$113.0 million (R\$195.4 million) in 2011 to increase our interest in Guarani S.A. to 31.44% from 26.49%. We also invested U.S.\$94.2 million (R\$163.0 million) in 2011 to increase our interest in Nova Fronteira Bioenergia S.A. to 49.00% from 37.05%. As a result of these partnerships and investments, the total annual milling capacity of our affiliate companies amounts to 25.9 mmt, and the total ethanol production capacity of our affiliate companies amounts to 8.1 million bbl per harvest season.

In 2011, we exported 679,000 bbl of ethanol, 5.54% of Brazil's total ethanol exports, which consisted mainly of industrial ethanol exported to Asia. In addition, we also increased the volume of ethanol bought outside of Brazil.

Corporate

Corporate Key Statistics

	2011	2010	2009
	(U.S.\$ million)		
Corporate:			
Income (loss) before income taxes	(5,003)	(3,572)	(3,811)
Total assets at December 31	45,326	53,631	31,559
Capital expenditures and investments	729	839	1,057

Our Corporate segment comprises our financing activities not attributable to other segments, including corporate financial management, central administrative overhead and actuarial expenses related to our pension and health care plans for inactive participants. As of 2011, the results of our Biofuels segment have been presented separately from our Corporate segment. The 2010 and 2009 financial information related to our Corporate and Biofuel segments were reclassified accordingly.

Information on PifCo

PifCo is a direct, wholly-owned finance subsidiary of Petrobras incorporated in the Cayman Islands as an exempted company with limited liability. PifCo was originally incorporated in order to facilitate and finance the import of crude oil and oil products by us into Brazil, and has been our direct, wholly-owned subsidiary since 2000. As of September 30, 2011, PifCo no longer engages in the sale and purchase of crude oil and oil products to and from us, third parties and related parties. PifCo is a finance subsidiary functioning as a vehicle for us to raise capital for our operations through the issuance of debt securities in the international capital markets, among other means.

We have provided unconditional and irrevocable guaranties of payment for all of PifCo's issuances of SEC-registered debt securities since February 2009. On March 31, 2010, we issued six additional unconditional and irrevocable guaranties of payment to replace the standby purchase agreements that previously supported PifCo's SEC-registered debt securities issued prior to February 2009. As a result, we currently provide unconditional and irrevocable guaranties of payment for all of PifCo's outstanding debt obligations.

PifCo's Corporate Structure

PifCo was established on September 24, 1997 as Brasoil Finance Company, a wholly owned subsidiary of Braspetro Oil Services Company, or Brasoil, a wholly owned subsidiary of Petrobras Internacional S.A. (Braspetro), which has since been absorbed by us. PifCo's voting shares were transferred from Brasoil to us in 2000, since which time it has been our wholly owned subsidiary. Petrobras International Finance Company is an exempted company incorporated with limited liability under the laws of the Cayman Islands. PifCo's registered office is located at Harbour Place, 103 South Church Street, 4th floor, P.O. Box 1034GT, George Town, Grand Cayman, Cayman Islands, and PifCo's telephone number is 55-21-3224-3467.

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PifCo's two subsidiaries are:

- **Petrobras Finance Limited (PFL):** In December 2001, PifCo established PFL, a wholly owned subsidiary incorporated and registered in the Cayman Islands. PFL primarily purchases fuel oil from us and sells the products in the international market in order to generate export receivables to cover its obligations to transfer these receivables to a trust under an exports prepayment program. Until June 1, 2006, PFL also purchased bunker fuel from us. PFL ceased its commercial operations in August 2011 and prepaid its financing program supported by future sales of fuel oil in September 2011.
- **Bear Insurance Company Limited (BEAR):** In January 2003, BEAR was transferred to PifCo from Brasoil. This transaction took place as part of the restructuring of our international business segment. BEAR currently serves as our captive insurance company, advising on and negotiating the terms and conditions of, certain of our insurance policies and certain insurance and reinsurance policies of our subsidiaries.

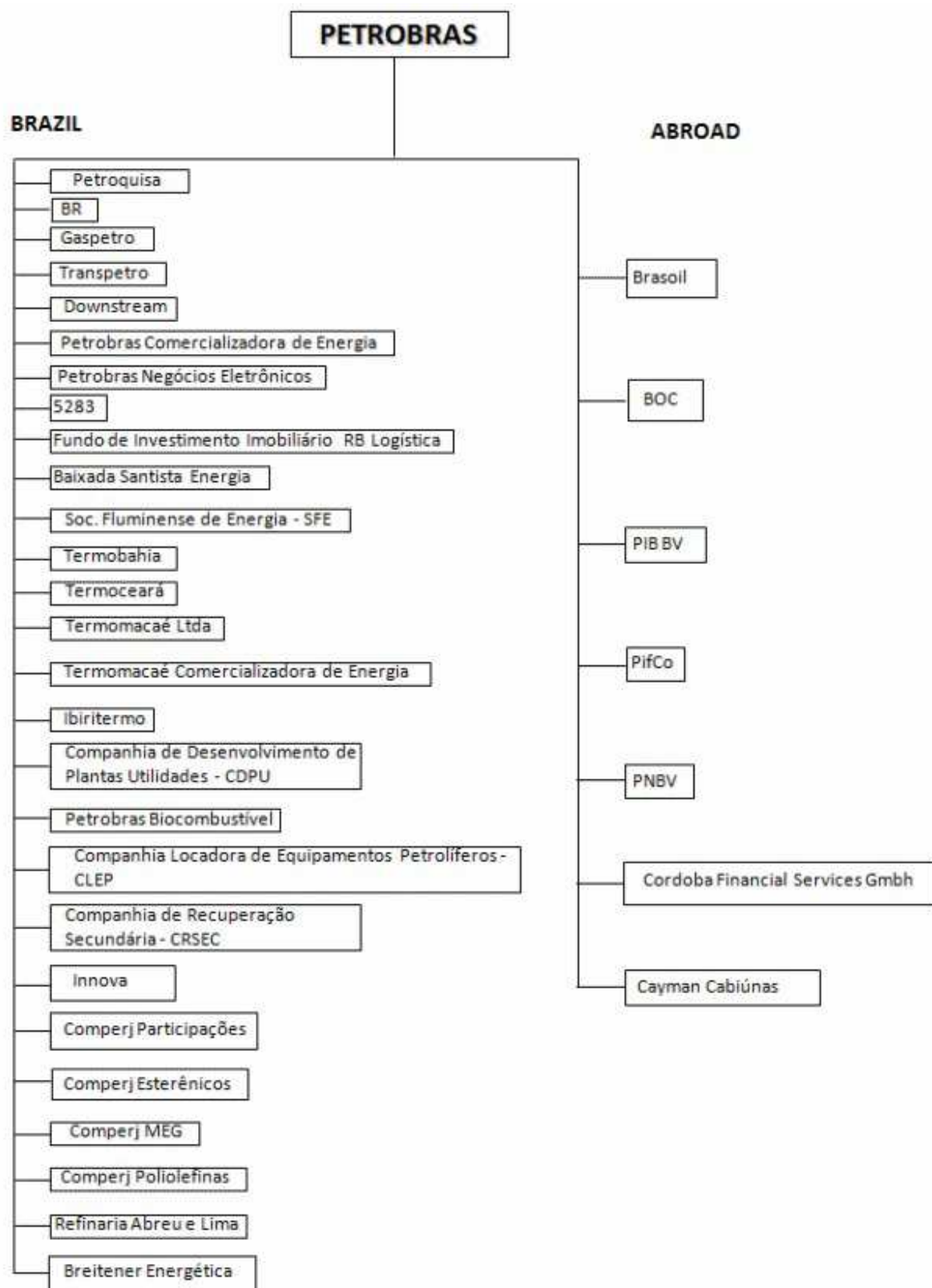
In August 2011, two former PifCo subsidiaries – Petrobras Europe Limited (PEL) and Petrobras Singapore Private Limited (PSPL) – were sold to Petrobras International Braspetro BV (PIB BV).

Organizational Structure

Of our 34 direct subsidiaries listed below, 27 are incorporated under the laws of Brazil and 7 (PifCo, Petrobras International Braspetro B.V. (PIB BV), Braspetro Oil Company (BOC), Braspetro Oil Services Company (Brasoil), Petrobras Netherlands B.V. (PNBV), Cordoba Financial Services GmbH and Cayman Cabiúñas) are incorporated abroad. See Exhibit 8.1 for a complete list of our subsidiaries, including their full names, jurisdictions of incorporation and our percentage equity interest.

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The following diagram sets forth our significant consolidated subsidiaries as of December 31, 2011:



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Property, Plant and Equipment

Petrobras

Our most important tangible assets are wells, platforms, refining facilities, pipelines, vessels and other transportation assets, and power plants. Most of these are located in Brazil. We own and lease our facilities and some owned facilities are subject to liens, although the value of encumbered assets is not material.

We have the right to exploit crude oil and gas reserves in Brazil under concession agreements, but the reserves themselves are the property of the government under Brazilian law. Item 4. "Information on the Company" includes a description of our reserves and sources of crude oil and natural gas, key tangible assets, and material plans to expand and improve our facilities.

PifCo

PifCo does not itself own or lease any material property, plant or equipment.

Regulation of the Oil and Gas Industry in Brazil

Concession Regime for Oil and Gas

Under Brazilian law, the Brazilian federal government owns all crude oil and natural gas subsoil accumulations in Brazil. The Brazilian federal government holds a monopoly over the exploration, production, refining and transportation of crude oil and oil products in Brazil and its continental shelf, with the exception that companies that were engaged in refining and distribution in 1953 were permitted to continue those activities. Between 1953 and 1997, we were the Brazilian federal government's exclusive agent for exploiting its monopoly, including the importation and exportation of crude oil and oil products.

As part of a comprehensive reform of the oil and gas regulatory system, the Brazilian Congress amended the Brazilian Constitution in 1995 to authorize the Brazilian federal government to contract with any state or privately-owned company to carry out upstream, oil refining, cross-border commercialization and transportation activities in Brazil of oil, natural gas and their respective products. On August 6, 1997, Brazil enacted Law No. 9,478, which established a concession-based regulatory framework, ended our exclusive right to carry out oil and gas activities, and allowed competition in all aspects of the oil and gas industry in Brazil. Since that time, we have been operating in an increasingly deregulated and competitive environment. Law No. 9,478 also created an independent regulatory agency, the ANP, to regulate the oil, natural gas and renewable fuel industry in Brazil, and to create a competitive environment in the oil and gas sector. Effective January 2, 2002, Brazil deregulated prices for crude oil, oil products and natural gas.

Law No. 9,478 established a concession-based regulatory framework and granted us the exclusive right to exploit crude oil reserves in each of our producing fields under then existing concession contracts for an initial term of 27 years from the date when they were declared commercially profitable. These are known as the "Round Zero" concession contracts. This initial 27-year period for production can be extended at the request of the concessionaire and subject to approval from the ANP. Law No. 9,478 also established a procedural framework for us to claim exclusive exploratory rights for a period of up to three years, later extended to five years, to areas where we could demonstrate that we had made commercial discoveries or exploration investments prior to the enactment of the Law No. 9,478. In order to perfect our claim to explore and develop these areas, we had to demonstrate that we had the financial capacity to carry out these activities, either alone or through other cooperative arrangements. Starting in 1999, all areas not already subject to concessions became available for public bidding conducted by the ANP. All the concessions that we have obtained since such time were obtained through participation in public bidding rounds.

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Taxation under Concession Regime for Oil and Gas

According to the Law No. 9,478 and under our concession agreements for exploration and production activities with ANP, we are required to pay the government the following:

- Signature bonuses paid upon the execution of the concession agreement, which are based on the amount of the winning bid, subject to the minimum signature bonuses published in the relevant bidding guidelines (*edital de licitação*);
- Annual retention bonuses for the occupation or retention of areas available for exploration and production, at a rate established by the ANP in the relevant bidding guidelines based on the size, location and geological characteristics of the concession block;
- Special participation charges at a rate ranging from 0 to 40% of the net income derived from the production of fields that reach high production volumes or profitability, according to the criteria established in the applicable legislation. Net revenues are gross revenues less royalties paid, investments in exploration, operational costs and depreciation adjustments and applicable taxes. The Special Participation Tax uses as a reference international oil prices converted to *reais* at the current exchange rate. In 2011, we paid this tax on 22 of our fields, namely Albacora, Albacora Leste, Barracuda, Cachalote, Canto do Amaro, Caratinga, Carmópolis, Cherne, Espadarte, Golfinho, Jubarte, Leste do Urucu, Manati, Marlim, Marlim Leste, Marlim Sul, Miranga, Namorado, Peroá, Rio Urucu, Roncador and Frade (operated by Chevron); and
- Royalties, to be established in the concession contracts at a rate ranging between 5% and 10% of gross revenues from production, based on reference prices for crude oil or natural gas established by Decree No. 2,705 and ANP regulatory acts. In establishing royalty rates in the concession contracts, the ANP also takes into account the geological risks and expected productivity levels for each concession. Virtually all of our crude oil production is currently taxed at the maximum royalty rate.

Law No. 9,478 also requires concessionaires of onshore fields to pay to the owner of the land a participation fee that varies between 0.5% and 1.0% of the sales revenues derived from the production of the field.

Production-Sharing Contract Regime for Unlicensed Pre-Salt and Potentially Strategic Areas

Discoveries of large petroleum and natural gas reserves in the pre-salt areas of the Campos and Santos Basins prompted a change in the legislation regarding oil and gas exploration and production activities.

In 2010, three new laws were enacted to regulate exploration and production activities in pre-salt and other potentially strategic areas not subject to existing concessions: Law No. 12,351, Law No. 12,304, and Law No. 12,276. The enacted legislation does not impact the existing pre-salt concession contracts, which cover approximately 28% of the pre-salt region.

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Law No. 12,351, enacted on December 22, 2010, regulates production-sharing contracts for oil and gas exploration and production in pre-salt areas not under concession and in potentially strategic areas to be defined by the CNPE. It also calls for the creation of a social fund consisting of resources from the Brazilian federal government's share in production sharing-contracts, such as subscription bonuses, royalties and revenues, which must be used by the Brazilian federal government to sponsor social and regional development programs. Under the production-sharing regime, we will be the exclusive operator of all blocks. The exploration and production rights for these blocks can either be granted to us on an exclusive basis or, in the case where they are not awarded to us on an exclusive basis, they will be offered under public bids. If offered under public bids, we would still be required to participate as the operator, with a minimum interest to be established by the CNPE that would not be less than 30% (irrespective of the economic terms of the winning bid). Under the production-sharing regime, the winner of the bid will be the company that offers to the Brazilian federal government the highest percentage of "profit oil," which is the production of a certain field after deduction of royalties and "cost oil," which is the cost associated with oil production.

Although Law No. 12,351 was enacted in 2010, former President Luiz Inácio da Silva vetoed changes to the royalty distribution framework proposed by the Brazilian Congress under this act and submitted a new proposal to the Brazilian Congress that included a royalty rate of 15% applicable to the gross production of oil and natural gas under production sharing contracts and for the distribution of these royalties among Brazilian states. This proposal, as well as other proposals regarding the royalty distribution framework, are currently under consideration by the Brazilian Congress.

Law No. 12,304, enacted on August 2, 2010, authorizes the incorporation of a new state-run non-operating company that will represent the interests of the Brazilian federal government in the production-sharing contracts and will manage the commercialization contracts related to the Brazilian federal government's share of the "profit oil." This new company will participate in operational committees, with a casting vote and veto powers and will manage and control costs arising from production-sharing contracts. Where production-sharing contracts are concerned, this new company will exercise its specific legal activities alongside the ANP, the independent regulatory agency that regulates and oversees oil and gas activities under all exploration and production regimes, and the CNPE, the entity that sets the guidelines to be applied to the oil and gas sector, including with respect to the new regulatory model.

Assignment Agreement (Cessão Onerosa) and Global Offering

Pursuant to Law No. 12,276, enacted on June 30, 2010, we entered into an agreement with the Brazilian federal government on September 3, 2010 (Assignment Agreement), under which the government assigned to us the right to conduct activities for the exploration and production of oil, natural gas and other fluid hydrocarbons in specified pre-salt areas, subject to a maximum production of five billion barrels of oil equivalent. The initial contract price for our rights under the Assignment Agreement was R\$74,807,616,407, which was equivalent to U.S.\$42,533,327,500 as of September 1, 2010. See Item 10. "Material contracts—Petrobras—Assignment Agreement." In order to ensure transparency, our board of directors created a special committee comprised of minority shareholders' representatives to monitor the transfer of rights transaction.

Law No. 12,276 also authorized the Brazilian federal government to subscribe for additional shares of our capital stock in a public offering of our shares. On September 29, 2010, we issued 2,293,907,960 common shares (including common shares in the form of ADSs) and 1,788,515,136 preferred shares (including preferred shares in the form of ADSs) in a global public offering consisting of a registered offering in Brazil and an international offering that included a registered offering in the United States. On October 1, 2010, we issued an additional 75,198,838 common shares (including common shares in the form of ADSs) and 112,798,256 preferred shares (including preferred shares in the form of ADSs) pursuant to the exercise of the underwriters' over-allotment option. We complied with all of the Brazilian Corporate Law requirements in carrying out the capitalization process, including the protection of the rights of our minority shareholders. See Item 10. "Memorandum and Articles of Incorporation of Petrobras—Preemptive Rights" for a summary of these requirements.

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We applied part of the net proceeds from the global offering to pay the initial purchase price under the Assignment Agreement and to continue to develop all of our business segments in accordance with our Business Plan.

Natural Gas Law of 2009

In March 2009, the Brazilian Congress enacted a law regulating activities in the gas industry, including transport and commercialization, which was amended by Decree No. 7,382 enacted in December 2010. The Gas Law created a concession regime for the construction and operation of new pipelines to transport natural gas, while maintaining an authorization regime for pipelines subject to international agreements. According to the Gas Law, after a certain exclusivity period, operators will be required to grant access to transport pipelines and maritime terminals, except LNG terminals, to third parties in order to maximize utilization of capacity. Authorizations previously issued by the ANP for natural gas transport will remain valid for 30 years from the date of publication of the Gas Law, and initial carriers were granted exclusivity in these pipelines for 10 years. The ANP will issue regulations governing third-party access and carrier compensation if no agreement is reached between the parties.

The Gas Law also authorized certain consumers, which can purchase natural gas on the open market or obtain their own supplies of natural gas, to construct facilities and pipelines for their own use in the event local gas distributors controlled by the states, which have monopoly over local gas distribution, do not meet their distribution needs. These consumers are required to delegate the operation and maintenance of the facilities and pipelines to local gas distributors, but they are not required to sign gas supply agreements with the local gas distributors.

In December 2010, Decree No. 7,382 was enacted in order to regulate Chapter I to VI and VIII of the Gas Law as it relates to activities in the gas industry, including transportation and commercialization.

Price Regulation

Until the passage of the Law No. 9,478 in 1997, the Brazilian federal government had the power to regulate all aspects of the pricing of crude oil, oil products, ethanol, natural gas, electric power and other energy sources. In 2002, the government eliminated price controls for crude oil and oil products, although it retained regulation over certain natural gas sales contracts and electricity. Also in 2002, the Brazilian federal government established an excise tax on the sale and import of crude oil, oil products and natural gas products (*Contribuição de Intervenção no Domínio Econômico*, Contribution for Intervention in the Economic Sector, or CIDE). The Brazilian federal government has periodically used CIDE as a tool to maintain price stability to end consumers, primarily by decreasing the CIDE rate when we increase our prices to reflect higher international prices and vice versa. In 2009, the Gas Law authorized the ANP to regulate prices for the use of gas transport pipelines subject to the new concession regime, based on a procedure defined in the Gas Law as a “*chamada pública*,” and to approve prices submitted by carriers, according to previously established criteria, for the use of new gas transport pipelines subject to the authorization regime.

Environmental Regulations

All phases of the crude oil and natural gas business present environmental risks and hazards. Our facilities in Brazil are subject to a wide range of federal, state and local laws, regulations and permit requirements relating to the protection of human health and the environment. At the federal level, our offshore activities and those that involve more than one Brazilian state are subject to the regulatory authority of the *Conselho Nacional do Meio Ambiente* (National Council for the Environment, or CONAMA) and to the administrative authority of IBAMA, which issues operating and drilling licenses. We are required to submit reports, including safety and pollution monitoring reports (IOPP) to IBAMA in order to maintain our licenses. Onshore environmental, health and safety conditions are controlled at the state rather than federal level, and there is strict liability for environmental damage, mechanisms for enforcement of environmental standards and licensing requirements for polluting activities.

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Individuals or entities whose conduct or activities cause harm to the environment are subject to criminal and administrative sanctions. Government environmental protection agencies may also impose administrative sanctions for noncompliance with environmental laws and regulations, including:

- Fines;
- Partial or total suspension of activities;
- Requirements to fund reclamation and environmental projects;
- Forfeiture or restriction of tax incentives or benefits;
- Closing of establishments or operations; and
- Forfeiture or suspension of participation in credit lines with official credit establishments.

We are subject to a number of administrative and legal proceedings relating to environmental matters. See Item 8. “Financial Information—Legal Proceedings.” and Note 28 to our audited consolidated financial statements included in this annual report for a description of the legal and administrative proceedings to which we are subject.

In 2011, we invested approximately U.S.\$1,625 million in environmental projects, compared to approximately U.S.\$1,377 million in 2010 and U.S.\$984 million in 2009. These investments were primarily directed at reducing emissions and wastes resulting from industrial processes, managing water use and effluents, remediating impacted areas, implementing new environmental technologies, upgrading our pipelines and improving our ability to respond to emergency situations.

Health, Safety and Environmental Initiatives

The protection of human health and the environment is one of our primary concerns, and is essential to our success as an integrated energy company.

As a result of an internal reorganization carried out in 2010, our Health, Safety and Environment (HSE) Management Committee was disbanded and its functions were assigned to a newly-created Technology, Engineering and Services Integration Committee. This committee is composed of corporate executive managers from both business and services areas and is chaired by Chief Corporate and Services Officer. The following three committees gather representatives from the business and services areas as well as from subsidiary companies to deal with health, safety, environmental and energy efficiency issues: the HSE Management Committee; the Energy Efficiency, Air Emissions and Climate Change Committee; and the Environmental Licensing and Compensation Committee. We have also created an Environmental Committee composed of three members of our board of directors, the charter of which is awaiting approval by our board of directors.

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Our actions to address health, safety and environmental concerns and ensure compliance with environmental regulations involved an investment of approximately U.S.\$3,135 million in 2011 and included:

- A HSE management system based on principles of sustainable development which seeks to minimize the impacts of operations and products on health, safety and the environment, reduce the use of natural resources and pollution, and prevent accidents;
- ISO 14001 (environment) and OHSAS 18001 (health and safety) certification of our operating units. As of December 2011, Petrobras had 90% of the total number of 295 certifiable sites in Brazil and abroad certified in accordance with the standards mentioned above. The *Frota Nacional de Petroleiros* (National Fleet of Vessels) has been fully certified by the International Maritime Organization (IMO) International Management Code for Safe Operation of Ships and for Pollution Prevention (ISM Code) since December 1997;
- Regular and active engagement with the MME and IBAMA, including negotiating new environmental compensation regulations and discussing environmental issues connected with new gas pipelines, oil and gas production projects and other aspects of our operations.
- “Climate Change” and “Energy Efficiency” strategic projects, which aim to implement the highest standards in the energy industry regarding the efficient use of energy and greenhouse gas management. By reducing the environmental impact of our operations, we will contribute to our sustainability and mitigate global climate change.
- A new strategic challenge seeking to maximize energy efficiency and reduce greenhouse gases emission intensity, which was approved by our board of executive officers in November 2010 along with a set of performance indicators with targets to monitor progress with respect to this new challenge. Our goal is to reach excellence levels in the oil and gas industry and to contribute to business sustainability.
- The HSE and Energy Efficiency in Investment Projects project, which began in 2011 and aim at identifying opportunities, risks as well as ensuring the integration of health, safety, environment and energy efficiency (HSEE) aspects throughout the life cycle of new investment projects. Given the high volume of investments planned for the coming years, the project will benefit from the opportunity to increase our HSEE performance with lower marginal costs, contributing to the reduction of losses, to operational continuity and to a lower exposure to penalties and liabilities.

Every project is evaluated to confirm its compliance with all HSE requirements and adoption of the best HSE practices throughout the project’s life cycle. In addition, we conduct more extensive environmental studies for new projects when required by applicable environmental legislation.

We are committed to reduce greenhouse gas emission intensity from our processes and products, as expressed in our 2020 Strategic Plan. Our strategy focuses on energy efficiency, energy production from renewable sources and research and technological development. This strategy aims both at improving business sustainability and mitigating the effects of climate change.

Our Internal Program on Energy Conservation works to improve energy efficiency in all our units. Over the past five years, we have invested approximately U.S.\$287 million in optimization projects whose economic results include energy savings of 4,200 barrels of oil equivalent per day.

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Environmental Remediation Plans and Procedures

In 2000, we implemented a company-wide program for environmental management and operational safety (PEGASO) that was designed to identify risks to human life and the environment, control and monitor those risks with safety procedures that comply with best international practices, and maintain a permanent state of readiness for prompt and effective emergency response.

In light of, among other things, the Gulf of Mexico oil spill, we commenced our two-year program, Management and Response to Disasters (GRADE), in 2011 that aims at improving our capability to manage major accidents. The goal of this program is to provide international logistics and sharing agreements with Oil Spill Response Organizations (OSROs) and petroleum companies, to develop a network of international specialists on accident management, to ensure an appropriate assignment of government and industry roles in the context of major accidents as well as to contribute to the regulation of *in situ* burning operations and the subsea use of chemical dispersants.

In 2011, we conducted 18 regional emergency drills with the Brazilian Navy, the Civil Defense, firefighters, the military police, environmental organizations, and local governmental and community entities.

In 2011, we experienced oil spills totaling 1,471 barrels of crude oil, compared to 4,200 barrels of crude oil in 2010 and 1,598 barrels of crude oil in 2009.

We have maintained oil spill levels in our upstream operations well below 1m³ per mmbbl produced, which corresponds to a standard of excellence within the global oil and gas industry. Data for 2010 compiled by the International Association of Oil & Gas Producers indicates that the industry average is 0.72 m³ of oil spilled per mmbbl produced. We continue to evaluate and develop initiatives to address HSE concerns and to reduce our exposure to HSE risks.

As part of our environmental plans, procedures and efforts, we have developed detailed response and remediation contingency plans to be implemented in the event of an oil spill or leak from our offshore operations. We have more than 660 trained workers available to respond to oil spills 24 hours a day, seven days a week, and we can mobilize an additional 5,000 trained workers for shoreline cleanups on short notice. While these workers are located in Brazil, they are also available to respond to an offshore oil spill outside of Brazil. We also have stockpiles of the equipment needed to quickly and effectively contain offshore spills or leaks, including over 146 miles of containment and absorbent booms, 444 different oil skimmers, over 55,000 gallons of oil dispersants and 385 oil pumps. Petrobras has 30 dedicated oil spill recovery vessels (OSRVs) fully equipped for oil spill control and fire fighting, as well as 130 additional support and recovery boats and barges available to fight offshore oil spills and leaks 24 hours a day, seven days a week. In addition, we have contracts with local emergency responders Clean Caribbean and Americas Cooperative in North America and Oil Spill Response Limited in Africa and Asia. We also maintain relationships with major OSROs and other oil companies.

We created ten environmental protection centers in strategic areas in which we operate throughout Brazil in order to ensure rapid and coordinated response to onshore or offshore oil spills. These regional facilities are supported by 13 local advance bases dedicated to oil spill prevention, control and response. Our environmental protection centers and their advanced bases would be mobilized in the event of a spill or leak at one of our offshore operations. Each of our local and regional response centers is self sufficient and available to respond either individually or jointly together with neighboring facilities depending on the severity and scale of the emergency.

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Insurance

Our insurance programs focus principally on the evaluation of risks and the replacement value of assets, which is customary for our industry. Under our risk management policy, risks associated with our principal assets, such as refineries, tankers and offshore production units and drilling rigs, are insured for their replacement value with third-party Brazilian insurers. Although some policies are issued in Brazil, most of our policies are reinsured abroad with reinsurers rated A- or higher by Standard & Poor's rating agency or B+ or higher by A.M. Best. Part of our international operations are insured or reinsured by our Bermudian subsidiary BEAR following the same rating criteria.

Less valuable assets, including but not limited to small auxiliary boats, certain storage facilities, and some administrative installations, are self-insured. We do not maintain coverage for business interruption, except for a minority of our international operations and a few specific assets in Brazil. We also do not maintain coverage for our wells for all of our Brazilian operations. Although we do not insure most of our pipelines, we have insurance against damage or loss to third parties resulting from specific incidents, as well as oil pollution. We also maintain coverage for risks associated with cargo, hull and machinery risk. All projects and installations under construction that have an estimated maximum loss above U.S.\$60 million are covered by a construction policy.

We have operations in 24 countries outside Brazil and maintain varying levels of third-party liability insurance for our domestic and international operations as a result of a variety of factors, including our country risk assessments, whether we have onshore and offshore operations and legal requirements imposed by the particular country in which we operate. We maintain insurance coverage for operational third-party liability with respect to our onshore and offshore activities, including environmental risks such as oil spills, in Brazil up to an aggregate policy limit of U.S.\$250 million for a period of 12 months. We also maintain additional protection and indemnity (P&I) marine insurance against third-party liability related to our domestic offshore operations up to an aggregate policy limit of up to U.S.\$500 million for a period of 12 months. In the event of an explosion or similar event at one of our offshore rigs in Brazil, these policies can provide combined third-party liability coverage of up to U.S.\$750 million for a period of 12 months.

Our domestic and international operational third-party liability policies cover claims made against us by or on behalf of individuals who are not our employees in the event of personal injury or death, subject to the policy limits set forth above. As a general rule, our service providers are required to indemnify us for a claim we pay directly to a third party as a result of a court decision holding us liable for the actions of that service provider. Our operational third-party liability policies also cover environmental damage from oil spills (including liability arising from an explosion or similar sudden and accidental event at one of our offshore rigs) as well as litigation, clean-up and remediation costs, but do not cover governmental fines or punitive damages.

We maintain separate "control-of-well" insurance policies at our international operations to cover liability arising from the uncontrolled eruption of oil, gas, water or drilling fluid, as well as to cover claims for environmental damage from well blow-outs and similar events as well as related clean-up costs, with aggregate policy limits up to U.S.\$500 million for a period of 12 months depending on the country. In the U.S. Gulf of Mexico, for example, we maintain third-party liability coverage up to an aggregate policy limit of U.S.\$250 million for a period of 12 months, and control-of-well liability insurance up to U.S.\$500 million for a period of 12 months. Depending on the particular circumstances, either of these policies could apply in the event of an explosion or similar event at one of our offshore rigs in the U.S. Gulf of Mexico.

We do not maintain control-of-well insurance for our domestic operations onshore and offshore Brazil. As a result, we would bear the costs of clean-up, decontamination and any proceedings arising out of a control-of-well incident. Any loss of hydrocarbon containment from our domestic operations onshore and offshore that is not attributable to a control-of-well issue would be covered by either our Protection & Indemnity (P&I) insurance, with coverage of up to U.S.\$500 million for our mobile offshore units, or our onshore-offshore liability policy, with coverage of up to U.S.\$250 million.

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The premium for renewing our domestic property risk insurance policy for a 12-month period commencing June 2011 was U.S.\$58.2 million. This represented a nominal increase of 20% over the preceding 12-month period. The insured value of our assets, in the same period, increased by 21% to U.S.\$122 billion. The average rate for the period was 0.048%, representing a decrease of 5.01% relative to the previous period. Since 2001, our risk retention has increased and our deductibles may reach U.S.\$60 million in certain cases.

Additional Reserves and Production Information

Production of crude oil and natural gas in Brazil is divided into onshore and offshore production, comprising 11% and 89% of total production in Brazil, respectively. The Campos Basin is one of Brazil's main and most prolific oil and gas offshore basins, with over 59 hydrocarbon fields discovered, eight large oil fields and a total area of approximately 115,000 km² (28.4 million acres). In 2011, the Campos Basin produced an average 1,677.0 mbbbl/d of oil and 12.9 mmm³/d (487.4 mmcf/d) of associated natural gas, comprising 79% of our total production from Brazil. We also conduct limited oil shale mining operations in São Mateus do Sul, in the Paraná Basin of Brazil, and we use oil shale from these deposits to produce synthetic oil and gas.

On December 31, 2011, our estimated proved reserves of crude oil and natural gas in Brazil totaled 12.26 billion barrels of oil equivalent, including 10.41 billion barrels of crude oil and natural gas liquids and 293.24 bnm³ (11.07 tcf) of natural gas. As of December 31, 2011, our domestic proved developed crude oil reserves represented 67% of our total domestic proved developed and undeveloped crude oil reserves, and our domestic proved developed natural gas reserves represented 62% of our total domestic proved developed and undeveloped natural gas reserves. Total domestic proved crude oil reserves increased at an average annual rate of 4% in the last five years, and total natural gas proved reserves increased at an average annual rate of 3% over the same period.

We calculate reserves based on forecasts of field production, which depend on a number of technical parameters, such as seismic interpretation, geological maps, well tests, reservoir engineering studies and economic data. All reserve estimates involve some degree of uncertainty. The uncertainty depends primarily on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of that data. Our estimates are thus made using the most reliable data and technology at the time of the estimate, in accordance with the best practices in the oil and gas industry and regulations promulgated by the Securities and Exchange Commission.

Internal Controls over Proved Reserves

The reserves estimation process begins with an initial evaluation of our assets by geophysicists, geologists and engineers. Corporate Reserves Coordinators (*Coordenadores de Reservas Corporativo*, or CRCs) safeguard the integrity and objectivity of our reserves estimates by supervising and providing technical support to Regional Reserves Coordinators (*Coordenadores de Reservas Regionais*, or CRRs) who are responsible for preparing the reserves estimates. Our CRRs and CRCs have degrees in geophysics, geology, petroleum engineering, accounting and economics and are trained internally and abroad in international reserves estimates seminars. CRCs are responsible for compliance with Securities and Exchange Commission rules and regulations, consolidating and auditing the reserves estimation process. The technical person primarily responsible for overseeing the preparation of our domestic reserves is a member of the SPE, with 22 years of experience in the field and has been with Petrobras for 28 years. The technical person primarily responsible for overseeing the preparation of our international reserves has five years of experience in the field, a doctorate in reservoir engineering and has been with Petrobras for 32 years. Our reserves estimates are presented to our board of executive officers and submitted to the board of directors for final approval.

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DeGolyer and MacNaughton (D&M) used our reserves estimates to conduct a reserves audit of 95.5% of the net proved crude oil, condensate and natural gas reserves as of December 31, 2011 from certain properties we own in Brazil and offshore from Brazil. In addition, D&M used its own estimates of our reserves to conduct a reserves evaluation of 53% of the net proved crude oil, NGL and natural gas reserves as of December 31, 2011 from certain properties we own in South America (outside of Brazil). The reserves estimates were prepared in accordance with the reserves definitions of Rule 4-10(a) of Regulation S-X of the SEC. For further information on our proved reserves, see “Supplementary Information on Oil and Gas Exploration and Production” beginning on page F-110.

Changes in Proved Reserves

At year-end 2011 compared to year-end 2010, we added a net total of 98.65 mmboe from our domestic proved undeveloped reserves and 18.90 mmboe from our international proved undeveloped reserves, resulting in a net increase of 117.55 mmboe company-wide. Thus, we had a total of 4,471.84 mmboe of proved undeveloped reserves company-wide at December 31, 2011, compared to 4,354.27 mmboe of proved undeveloped reserves company-wide at December 31, 2010.

In Brazil, the net increase in our proved undeveloped reserves in 2011 compared to 2010 resulted from the 142.43 mmboe of extensions and discoveries in the pre-salt regions of the Santos Basin, the 404.42 mmboe of revisions to previous estimates and the 1.92 mmboe of improved recovery. In addition, we converted a net total of 450.12 mmboe of our proved undeveloped reserves to proved developed reserves in Brazil in 2011, mainly through the start-up of production of the P-56 platform in the Campos Basin and the drilling of several wells in existing production fields.

Outside Brazil, the net increase in our proved undeveloped reserves in 2011 compared to 2010 was mainly due to newly estimated reserves in the United States and resulted from the conversion of 58.23 mmboe of proved undeveloped reserves to proved developed reserves, which was offset by 31.71 mmboe of extensions and discoveries, 39.25 mmboe of revisions to previous estimates and 6.17 mmboe of improved recovery.

All reserves volumes described above are “net” to the extent that they only include Petrobras’ proportional participation in reserve volumes and exclude reserves attributed to our partners.

In 2011, we invested a total of U.S.\$11.19 billion to convert proved undeveloped reserves into proved developed reserves, of which approximately 93.1% (U.S.\$10.42 billion) was invested in Brazil. We converted a total of 508.34 mmboe of proved undeveloped reserves to proved developed reserves in 2011, approximately 88.5% (450.12 mmboe) of which were Brazilian reserves. In recent years, we have developed projects and increased investments to convert our proved undeveloped reserves into proved developed reserves.

We had a total of 4,471.84 mmboe of proved undeveloped reserves company-wide at year-end 2011, approximately 5.23% (234.14 mmboe) of which have remained undeveloped for five years or more as a result of several factors affecting development and production, including the inherent complexity of ultra-deepwater developments projects, particularly in Brazil, and constraints in the capacity of our existing infrastructure.

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A portion of the 234.14 mmboe of our proved undeveloped reserves that have remained undeveloped for five years or more consist of heavy crude oil located in the Parque das Baleias (Whales Park) area of the Campos Basin offshore Brazil. We originally disclosed these reserves as proved undeveloped reserves between 2003 and 2004 after completing a development plan for the Parque das Baleias region. However, due to the discovery in 2007 of more valuable light crude oil in the same region, we deliberately postponed production from these proved undeveloped reserves until we could allocate the necessary ultra-deep water infrastructure and production resources to develop both our existing proved undeveloped reserves of heavy crude oil and our recently discovered pre-salt light crude oil simultaneously. We started the development of these light crude pre-salt reservoirs in 2008 by means of an EWT. In 2010, we started the production of heavy crude oil and pre-salt light crude oil with the FPSO Capixaba. In 2011, we drilled the first wells to be connected to the leased FPSO Cidade de Anchieta, which will start production of pre-salt light crude oil in the second quarter of 2012. As a result, at year-end 2011, we reclassified a portion of these pre-salt light crude oil proved undeveloped reserves in the Parque das Baleias area of the Campos Basin offshore Brazil. The majority of our remaining proved undeveloped reserves that have remained undeveloped for five years or more consist of reserves in shallow water fields in the Santos Basin and deep waters in the Campos Basin, for which we are making investments to develop necessary infrastructure.

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The following tables set forth our production of crude oil, natural gas, synthetic oil and synthetic gas by geographic area in 2011, 2010 and 2009:

	Hydrocarbon Production by Geographic Area														
	2011					2010					2009				
	Oil	Synthetic	Nat. Gas	Synthetic	Total	Oil	Synthetic	Nat. Gas	Synthetic	Total	Oil	Synthetic	Nat. Gas	Synthetic	Total
		Oil		Gas			Oil		Gas			Oil		Gas	
(mmbbl/d)	(mmbbl/d)	(mmcf/d)	(mmcf/d)	(mboe/d)	(mmbbl/d)	(mmbbl/d)	(mmcf/d)	(mmcf/d)	(mboe/d)	(mmbbl/d)	(mmbbl/d)	(mmcf/d)	(mmcf/d)	(mboe/d)	
(5)	(4)	(1)	(1)(4)	(d)	(d)	(4)	d)(1)	(1)(4)	(d)	(d)	(4)	(1)	(1)(4)	(d)	
Brazil:															
Roncador field(2)	297.9	0.0	115.6	0.0	317.2	343.4	0.0	161.2	0.0	370.3	368.9	0.0	163.7	0.0	396.2
Other	1,721.1	2.8	1,075.5	1.4	1,903.3	1,657.1	3.6	805.3	1.9	1,795.2	1,598.1	3.8	615.0	4.4	1,705.2
Total Brazil	2,019.0	2.8	1,191.1	1.4	2,220.5	2,000.5	3.6	966.5	1.9	2,165.5	1,967.0	3.8	778.7	4.4	2,101.4
International:															
South America (outside of Brazil)	77.4	0.0	569.4	0.0	172.3	80.2	0.0	553.3	0.0	172.4	85.6	0.0	569.3	0.0	180.4
North America	2.2	0.0	11.1	0.0	4.0	1.3	0.0	8.9	0.0	2.8	1.5	0.0	10.6	0.0	3.3
Africa	57.6	0.0	0.0	0.0	57.6	56.5	0.0	0.0	0.0	56.5	44.3	0.0	0.0	0.0	44.3
Total International	137.2	0.0	580.5	0.0	233.9	138.0	0.0	562.2	0.0	231.7	131.4	0.0	579.9	0.0	228.0
Total consolidated production	2,156.2	2.8	1,771.6	1.4	2,454.4	2,138.5	3.6	1,528.7	1.9	2,397.2	2,098.4	3.8	1,358.6	4.4	2,329.4
Equity and non-consolidated affiliates:(3)															
South America (outside of Brazil)	7.7	0.0	3.5	0.0	8.3	7.5	0.0	4.2	0.0	8.2	9.3	0.0	5.6	0.0	10.2
Worldwide production	2,163.9	2.8	1,775.1	1.4	2,462.7	2,146.0	3.6	1,532.9	1.9	2,405.4	2,107.7	3.8	1,364.2	4.4	2,339.6

- (1) Natural gas production figures are the production volumes of natural gas available for sale, excluding flared and reinjected gas and gas consumed in operations.
- (2) Roncador field is separately included as it contains more than 15% of our total proved reserves.
- (3) Companies in which Petrobras has a minority interest.
- (4) We produce synthetic oil and synthetic gas from oil shale deposits in São Mateus do Sul, in the Paraná Basin of Brazil.
- (5) Oil production includes LNG and production from extended well tests.

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The following table sets forth our estimated net proved developed and undeveloped reserves of crude oil and natural gas by region as of December 31, 2011.

Estimated Net Proved Developed and Undeveloped Reserves							
Reserves category	Reserves						
	Oil (mmbbl)	Natural gas (bcf)	Total oil and natural gas (mmboe)	Synthetic oil (mmbbl)(1)	Synthetic gas (bcf)(1)	Total synthetic oil and synthetic gas (mmboe)	Total oil and gas products (mmboe)
Proved developed:							
Brazil	6,973.5	6,836.0	8,113.0	8.6	13.4	10.8	8,123.9
International							
South America (outside of Brazil)	106.7	440.9	180.1	0.0	0.0	0.0	180.1
North America	4.5	32.1	9.8	0.0	0.0	0.0	9.8
Africa	70.3	39.3	76.8	0.0	0.0	0.0	76.8
Total International	181.5	512.3	266.7	0.0	0.0	0.0	266.7
Total consolidated proved reserves	7,155.0	7,348.3	8,379.7	8.6	13.4	10.8	8,390.6
Equity and non-consolidated affiliates							
South America (outside of Brazil)	17.5	20.2	20.9	0.0	0.0	0.0	20.9
Total proved developed reserves	7,172.5	7,368.5	8,400.6	8.6	13.4	10.8	8,411.5
Proved undeveloped:							
Brazil	3,437.5	4,231.0	4,142.6	0.0	0.0	0.0	4,142.6
International							
South America (outside of Brazil)	84.7	748.6	209.5	0.0	0.0	0.0	209.5
North America	49.3	40.1	56.0	0.0	0.0	0.0	56.0
Africa	47.8	0.0	47.8	0.0	0.0	0.0	47.8
Total International	181.8	788.7	313.3	0.0	0.0	0.0	313.3
Total consolidated proved reserves	3,619.3	5,019.7	4,455.9	0.0	0.0	0.0	4,455.9
Equity and non-consolidated affiliates							
South America (outside of Brazil)	12.1	23.3	15.9	0.0	0.0	0.0	15.9
Total proved undeveloped reserves	3,631.4	5,043.0	4,471.8	0.0	0.0	0.0	4,471.8
Total proved reserves (developed and undeveloped)	10,804.1	12,411.5	12,872.4	8.6	13.4	10.8	12,883.3

(1) Volumes of synthetic oil and synthetic gas from oil shale deposits in the Paraná Basin in Brazil have been included in our proved reserves in accordance with the SEC rules for estimating and disclosing reserve quantities.

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The table below summarizes information about the changes in total proved reserves of our consolidated entities for 2011, 2010 and 2009:

Total Proved Developed and Undeveloped Reserves (consolidated entities only)

	Oil (mmbbl)	Natural gas (bcf)	Total oil and natural gas (mmboe)	Synthetic oil (mmbbl)	Synthetic gas (bcf)	Total synthetic oil and synthetic gas (mmboe)	Total oil and gas products (mmboe)
Reserves quantity information for the year ended December 31, 2011							
January 1, 2011	10,723.8	11,881.8	12,704.1	7.4	12.0	9.4	12,713.5
Revisions of previous estimates	613.6	998.3	780.0	2.4	3.3	2.9	783.0
Improved recovery	8.0	0.3	8.1	–	–	–	8.1
Purchases of minerals <i>in situ</i>	–	–	–	–	–	–	–
Extensions and discoveries	168.6	277.7	214.9	–	–	–	214.9
Production	(739.8)	(790.3)	(871.5)	(1.2)	(1.9)	(1.5)	(873.0)
Sales of minerals <i>in situ</i>	–	–	–	–	–	–	–
December 31, 2011	10,774.2	12,367.8	12,835.5	8.6	13.4	10.8	12,846.3
Reserves quantity information for the year ended December 31, 2010							
January 1, 2010	10,262.2	10,982.5	12,092.6	6.8	5.6	7.8	12,100.4
Revisions of previous estimates	375.8	330.9	431.0	1.8	8.3	3.1	434.1
Improved recovery	29.7	15.1	32.2	–	–	–	32.2
Purchases of minerals <i>in situ</i>	–	–	–	–	–	–	–
Extensions and discoveries	804.6	1,284.6	1,018.7	–	–	–	1,018.7
Production	(742.5)	(730.2)	(864.2)	(1.2)	(1.9)	(1.5)	(865.7)
Sales of minerals <i>in situ</i>	(6.0)	(1.1)	(6.2)	–	–	–	(6.2)
December 31, 2010	10,723.8	11,881.8	12,704.1	7.4	12.0	9.4	12,713.5
Reserves quantity information for the year ended December 31, 2009							
January 1, 2009	9,105.5	12,139.4	11,128.7	–	–	–	11,128.7
Revisions of previous estimates	1,734.8	(521.6)	1,647.9	–	–	–	1,647.9
Improved recovery	21.7	0.8	21.8	–	–	–	21.8
Purchases of minerals <i>in situ</i>	99.4	110.3	117.8	–	–	–	117.8
Extensions and discoveries	135.5	146.8	160.0	8.0	6.6	9.1	169.1
Production	(735.3)	(782.9)	(865.8)	(1.2)	(1.0)	(1.4)	(867.2)
Sales of minerals <i>in situ</i>	(99.4)	(110.3)	(117.8)	–	–	–	(117.8)
December 31, 2009	10,262.2	10,982.5	12,092.6	6.8	5.6	7.7	12,100.3

Natural gas production volumes used in this table are the net volumes withdrawn from Petrobras' proved reserves, including flared gas consumed in operations and excluding reinjected gas. Oil production volumes used in this table are net volumes withdrawn from Petrobras' proved reserves and exclude LNG and production from extended well tests. As a result, the oil and natural gas production volumes in this table are different from those shown in the production table above, which shows the production volumes of natural gas available for sale.

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We do not have any material acreage expiry before 2025 with respect to our Brazilian onshore and offshore operations. We also do not have any material acreage expiry within the next three years of our leases or concessions with respect to our international operations.

The following tables show the number of gross and net productive oil and natural gas wells and total gross and net developed and undeveloped oil and natural gas acreage in which Petrobras had interests as of December 31, 2011.

Gross and Net Productive Wells and Gross and Net Developed and Undeveloped Acreage

	As of December 31, 2011								
	Oil		Natural gas		Synthetic oil		Synthetic gas		
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
Gross and net productive wells:(1)									
Consolidated subsidiaries									
Brazil	8,329	8,325	265	259	0	0	0	0	0
International									
South America (outside of Brazil)	5,737	4,580	287	207	0	0	0	0	0
North America	8	6	5	2	0	0	0	0	0
Africa	39	7	0	0	0	0	0	0	0
Total international	5,784	4,593	292	209	0	0	0	0	0
Total consolidated	14,113	12,918	557	468	0	0	0	0	0
Equity and non-consolidated affiliates:									
South America (outside of Brazil)	395	105	27	9	0	0	0	0	0
Total gross and net productive wells	14,508	13,023	584	477	0	0	0	0	0

	As of December 31, 2011								
	Oil		Natural gas		Synthetic oil		Synthetic gas		
	(in acres)								
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
Gross and net developed acreage:									
Brazil	4,374,369	4,152,680	342,814	318,997	34,595	34,595	0	0	0
International									
South America (outside of Brazil)	898,313	608,786	1,530,240	928,552	0	0	0	0	0
North America	10,348	5,847	14,026	5,210	0	0	0	0	0
Africa	410,562	63,501	0	0	0	0	0	0	0
Total international	1,319,223	678,134	1,544,266	933,762	0	0	0	0	0
Total consolidated	5,693,592	4,830,814	1,887,080	1,252,759	34,595	34,595	0	0	0
Equity and non-consolidated affiliates:									
South America (outside of Brazil)	280,785	68,222	12,716	4,138	0	0	0	0	0
Total gross and net developed acreage	5,974,377	4,899,036	1,899,796	1,256,897	34,595	34,595	0	0	0

	As of December 31, 2011								
	Oil		Natural gas		Synthetic oil		Synthetic gas		
	(in acres)								
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
Gross and net undeveloped acreage:									
Brazil	1,000,224	788,029	328,866	322,525	0	0	0	0	0
International									
South America (outside of Brazil)	852,332	722,381	2,709,042	1,733,723	0	0	0	0	0
North America	12,274	8,296	3,562	2,329	0	0	0	0	0
Africa	234,012	41,956	0	0	0	0	0	0	0
Total international	1,098,618	772,633	2,712,604	1,736,052	0	0	0	0	0
Total consolidated	2,098,842	1,560,662	3,041,470	2,058,577	0	0	0	0	0
Equity and non-consolidated affiliates:									
South America (outside of Brazil)	164,531	42,874	27,083	8,853	0	0	0	0	0

Total gross and net undeveloped acreage

2,263,373	1,603,536	3,068,553	2,067,430	0	0	0	0
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(1) A "gross" well or acre is one in which a whole or fractional working interest is owned, while the number of "net" wells or acres is the sum of the whole or fractional working interests in gross wells or acres.

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The following table sets forth the number of net productive and dry exploratory and development wells drilled for the last three years.

Net Productive and Dry Exploratory and Development Wells			
	2011	2010	2009
Net productive exploratory wells drilled:			
Consolidated subsidiaries:			
Brazil	31.9	60.1	35.7
South America (outside of Brazil)	3.3	3.7	1.2
North America	0.6	0.0	0.2
Africa	0.2	0.2	0.5
Other	0.0	0.7	0.0
Total consolidated subsidiaries	36.0	64.7	37.6
Equity and non-consolidated affiliates:			
South America (outside of Brazil)	0.0	0.0	0.0
Total productive exploratory wells drilled	36.0	64.7	37.6
Net dry exploratory wells drilled:			
Consolidated subsidiaries:			
Brazil	50.8	39.5	55.7
South America (outside of Brazil)	0.9	2.6	2.0
North America	0.0	0.0	1.0
Africa	0.5	1.7	1.1
Other	0.0	0.0	0.0
Total consolidated subsidiaries	52.2	43.8	59.8
Equity and non-consolidated affiliates:			
South America (outside of Brazil)	0.0	0.0	0.0
Total dry exploratory wells drilled	52.2	43.8	59.8
Total number of net wells drilled	88.2	108.5	97.4
Net productive development wells drilled:			
Consolidated subsidiaries:			
Brazil	228.0	457.5	546.2
South America (outside of Brazil)	194.2	179.6	57.0
North America	0.0	1.1	0.0
Africa	0.4	1.3	1.7
Other	0.0	0.0	0.0
Total consolidated subsidiaries	422.6	639.5	604.9
Equity and non-consolidated affiliates:			
South America (outside of Brazil)	3.0	4.0	6.0
Total productive development wells drilled	425.6	643.5	610.9
Net dry development wells drilled:			
Consolidated subsidiaries:			
Brazil	0.5	3.0	9.8
South America (outside of Brazil)	0.0	0.0	0.0
North America	0.0	0.0	0.0
Africa	0.0	0.0	0.0
Other	0.0	0.0	0.0
Total consolidated subsidiaries	0.5	3.0	9.8
Equity and non-consolidated affiliates:			
South America (outside of Brazil)	0.2	0.0	0.0
Total dry development wells drilled	0.7	3.0	9.8
Total number of net wells drilled	426.3	646.5	620.7

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The following table summarizes the number of wells in the process of being drilled as of December 31, 2011. For more information about our on-going exploration and production activities in Brazil, see “—Exploration and Production.” Our present exploration and production activities outside of Brazil are described in “—International.”

Number of Wells Being Drilled as of December 31, 2011

	Year-end 2011	
	Gross	Net
Wells Drilling		
Consolidated Subsidiaries:		
Brazil	67	61.1
International:		
South America (outside of Brazil)	249	194.19
North America	0	0.0
Africa	2	0.4
Others	0	0.0
Total International	251(1)	194.59
Total consolidated production	318	255.69
Equity and non-consolidated affiliates:		
South America (outside of Brazil)	12	3.03
Total wells drilling	330	258.72

(1) Includes 138 wells with multiple completions.

The following table sets forth our average production prices and average production costs by geographic area and by product type for the last three years.

	Brazil	South America (outside of Brazil)	North America	Africa	Total	Equity and non-consolidated affiliates(2)
	(U.S.\$)					
During 2011						
<i>Average production prices</i>						
Oil, per barrel	102.24	74.03	107.02	114.65	101.52	89.40
Natural gas, per thousand cubic feet(1)	9.43	3.16	4.72	—	8.27	—
Synthetic oil, per barrel	98.94	—	—	—	98.94	—
Synthetic gas, per thousand cubic feet	7.42	—	—	—	7.42	—
Average production costs, per barrel – total	13.08	12.61	12.43	6.29	12.89	14.57
During 2010						
<i>Average production prices</i>						
Oil, per barrel	74.66	57.17	74.53	79.44	74.12	75.54
Natural gas, per thousand cubic feet(1)	7.34	2.55	4.56	—	6.49	—
Synthetic oil, per barrel	66.78	—	—	—	66.78	—
Synthetic gas, per thousand cubic feet	7.06	—	—	—	7.06	—
Average production costs, per barrel – total	11.11	8.83	23.03	3.15	10.78	15.18
During 2009						
<i>Average production prices</i>						
Oil, per barrel	54.22	46.00	62.23	68.09	54.18	64.64
Natural gas, per thousand cubic feet(1)	7.21	2.06	3.87	—	6.04	—
Synthetic oil, per barrel	50.88	—	—	—	50.88	—
Synthetic gas, per thousand cubic feet	2.97	—	—	—	2.97	—
Average production costs, per barrel – total	9.97	7.77	17.08	10.54	9.82	5.66

(1) The volumes of natural gas used in the calculation of this table are the production volumes of natural gas available for sale and are also shown in the production table above. Natural gas amounts were converted from bbl to cubic feet in accordance with the following scale: 1 bbl = 5.6146 cubic feet.

(2) Operations in Venezuela.

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Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

Management's Discussion and Analysis of Petrobras' Financial Condition and Results of Operations

The information derived from our financial statement as of and for the years ended December 31, 2011, 2010 and 2009 has been prepared in accordance with IFRS issued by the IASB. For more information, see "Presentation of Financial Information" and Note 2 to our audited consolidated financial statements.

You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements and the accompanying notes beginning on page F-2 of this annual report.

Changes in Accounting from U.S. GAAP to IFRS

We discontinued U.S. GAAP and adopted IFRS, as issued by the IASB, as the basis for the preparation and presentation of our financial statements and reporting with the SEC beginning with our financial statements as of and for the year ending December 31, 2011 presented in this annual report. This annual report on Form 20-F and all of our future reports filed with the SEC will only present financial information prepared in accordance with IFRS.

We first adopted IFRS, as issued by IASB, for our financial statements for the year December 31, 2010, which were filed with the local securities regulator in Brazil and made available to the public. Our transition date from Brazilian GAAP to IFRS was January 1, 2009 and we used certain elective transitional treatments under IFRS 1 in such financial statements filed with the local securities regulator in Brazil.

Since we have previously adopted IFRS in Brazil, we are not a "first time adopter" of IFRS for purposes of this annual report on Form 20-F. We are presenting bridging disclosures to IFRS in the form of a reconciliation from U.S. GAAP to IFRS as issued by the IASB of our net income for the years ended December 31, 2010 and 2009 and our shareholders' equity at December 31, 2010. This reconciliation is included in Note 36 in our audited consolidated financial statements.

Our IFRS financial statements filed with the local securities regulator in Brazil use the *real* as its presentation currency, while the financial statements included herein use the U.S. Dollar as its presentation currency.

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The following describes the most significant differences between U.S. GAAP and IFRS that are applicable to our financial statements. For additional information on the main differences between U.S. GAAP and IFRS and a reconciliation from U.S. GAAP to IFRS of our net income for the years ended December 31, 2010 and 2009 and our shareholder's equity at December 31, 2010, see Note 36 to our audited consolidated financial statements.

- *Property, plant and equipment* – Our adoption of IFRS resulted in changes to the registration of property, plant and equipment values when compared to U.S. GAAP, specifically in what is related to adjustment for hyperinflationary periods, capitalization of interest and impairment tests.
 - *Adjustment for hyperinflationary periods:* Under U.S. GAAP, property, plant and equipment amounts were translated into U.S. dollars and re-measured on exchange rate as of January 1, 1998 (when Brazil ceased to be hyperinflationary). According to IFRS, such amounts had to be adjusted by a general price index during the hyperinflationary period and, after the hyperinflationary period, the adjusted amounts became the new carrying amount.
 - *Capitalization of interest:* Under both U.S. GAAP and IFRS, an entity is required to capitalize costs that are directly attributable to the obtaining of a qualifying asset. However, when adopting IFRS for the first time, we elected to apply the transitional provisions set out in IAS 23 - Borrowing Costs and, as a result, we assumed the BR GAAP carrying amount as the IFRS carrying amount on our opening balance sheet under IFRS. U.S. GAAP and IFRS also differ in what is related to the measurement of the amounts subject to capitalization deduction of income earned as a result of temporary investments of actual borrowings from the amount of borrowing costs to be capitalized.
 - *Impairment tests:* Property, plant and equipment is assessed for impairment when there is evidence that the carrying amount may not be recoverable. U.S. GAAP requires a two-step impairment model; first comparing asset carrying values with undiscounted cash flow and then the impairment loss is the result of the difference between the carrying amount of the asset and its discounted cash flow. Once recorded, impairment losses are no longer reversed. Unlike U.S. GAAP, IFRS uses one-step impairment model, being the impairment loss recorded when the carrying amount of the asset is lower than its recoverable amount and Impairment losses may be reversed up to the initial carrying amount of the asset, as if the impairment charge had not been recognized for the asset in prior years.
- *Provision for abandonment of wells and dismantling of areas* – Both US GAAP and IFRS require that when an asset retirement liability is recognized, a corresponding amount is capitalized as an additional cost of the related asset. The liability is measured based on the estimated discounted future cash outflows of the abandonment. The unwinding of the discount is included in profit for the period. U.S. GAAP also requires discounting downwards revisions to the estimates of the timing or amount of future cash outflows by historical rates. Only upward revisions are discounted by the current rate of the measurement period. Unlike US GAAP, IFRS requires a fresh-start method, under which the liability is discounted by the current rate of the measurement period.
- *Planned major maintenance* – Under U.S. GAAP, planned major maintenances are expensed when incurred. Unlike U.S. GAAP, IFRS requires the capitalization of such costs when certain conditions are met.
- *Investments* – U.S. GAAP requires exchanges of equity method investments for a similar productive asset to be measured at fair value. Unlike US GAAP, IFRS requires fair value measurement only when the exchange has commercial substance. In addition, business combinations are recorded based on the acquisition method which is similar to IFRS. As permitted by IFRS 1, we have not retroactively applied IFRS on business combinations occurred prior to our adoption of IFRS. As a result, we assumed BR GAAP carrying amount on our opening balance sheet under IFRS.

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- *Pension and Health Care Plan* – U.S. GAAP requires actuarial gains and losses to be recognized as OCI “Other Comprehensive Income” in the shareholders’ equity. According to IFRS the recognition of the actuarial gains and losses may be deferred based on a method called “the corridor approach”. According to U.S. GAAP, the net prior service cost was recognized as OCI at the date the plan was adopted and then amortized into profit or loss over the participant’s remaining years of service. According to IFRS, past service cost should be recognized immediately to the extent that it relates to former employees or to active employees already vested. Otherwise, it should be amortized on a straight-line basis over the average period until the amended benefits become vested. In addition, upon our adoption of IFRS, the balance of unrecognized actuarial gains and losses of post-employment benefits was fully recorded against retained earnings at the transition date.
- *Deferred income taxes* – The balance of deferred income taxes was impacted by the adjustments included in the reconciliation of net income and shareholders’ equity from U.S. GAAP to IFRS by using the applicable tax rates.

Overview

We earn income from:

- domestic sales, which consist of sales of oil products (such as diesel oil, gasoline, jet fuel, naphtha, fuel oil and liquefied petroleum gas), natural gas, ethanol, electricity and petrochemical products;
- export sales, which consist primarily of sales of crude oil and oil products;
- international sales (excluding export sales), which consist of sales of crude oil, natural gas and oil products that are purchased, produced and refined abroad; and
- other sources, including services, investment income and foreign exchange gains.

Our expenses include:

- costs of sales (which are composed of labor expenses, operating costs and purchases of crude oil and oil products); maintaining and repairing property, plant and equipment; depreciation and amortization of fixed assets; depletion of oil fields; and exploration costs;
- selling (which include expenses for transportation and distribution of our products), general and administrative expenses; and
- interest expense, monetary and foreign exchange losses.

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Fluctuations in our financial condition and results of operations are driven by a combination of factors, including:

- the volume of crude oil, oil products and natural gas we produce and sell;
- changes in international prices of crude oil and oil products, which are denominated in U.S. dollars;
- related changes in the domestic prices of crude oil and oil products, which are denominated in *reais*;
- the demand for oil products in Brazil, and the amount of imports required to meet that demand;
- fluctuations in the *real*/U.S. dollar and to a lesser degree, Argentine peso/U.S. dollar exchange rates; and
- the amount of production taxes that we are required to pay with respect to our operations.

Sales Volumes and Prices

The profitability of our operations in any particular accounting period is related to the sales volume of, and prices for, the crude oil, oil products and natural gas that we sell. Our consolidated net sales in 2011 totaled approximately 1,142,531 thousand barrels of crude oil equivalent, representing U.S.\$145,915 million in sales revenues, compared to 1,343,167 thousand barrels of crude oil equivalent, representing U.S.\$120,452 million in sales revenues in 2010, and approximately 1,215,087 thousand barrels of crude oil equivalent, representing U.S.\$91,146 million in sales revenues in 2009.

As a vertically integrated company, we process most of our crude oil production in our refineries and sell the refined oil products primarily in the Brazilian domestic market. Therefore, it is oil product prices in Brazil, rather than crude oil prices, that most directly affect our financial results. International oil product prices vary over time as the result of many factors, including the price of crude oil. Over the long term, we intend to sell our products in Brazil at parity with international product prices, however we do not adjust our prices for all gasoline, diesel and LPG to reflect short-term volatility in the international markets. As a result, material rapid or sustained increases or decreases in the international price of crude oil and oil products may result in downstream margins for us that are materially different than those of other integrated international oil companies, within a given financial reporting period.

The average prices of Brent crude, an international benchmark oil, were approximately U.S.\$111.27 per barrel in 2011, U.S.\$79.47 per barrel in 2010 and U.S.\$61.51 per barrel in 2009. For December 2011, Brent crude oil prices averaged U.S.\$107.91 per barrel. We announced price decreases of 4.5% for gasoline and 15% for diesel in the domestic market in June 2009 to reflect international oil product prices. The increase in the CIDE by the Brazilian federal government fully offset the reduction in gasoline prices and partially offset the reduction in diesel prices. In November 2011 the domestic gasoline prices increased by 10% and domestic diesel prices increased by 2%.

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During 2011, approximately 66.9% of our sales revenues were derived from sales of crude oil and oil products in Brazil, compared to 68.4% in 2010 and 72.3% in 2009. As export revenues of crude oil and oil products have increased, domestic sales as a percentage of sales revenues have decreased.

	For the Year Ended December 31,								
	2011			2010			2009		
	Volume	Net Average Price	Sales Revenues	Volume	Net Average Price	Sales Revenues	Volume	Net Average Price	Sales Revenues
(mbl, except as otherwise noted)	(U.S.\$ (1))	(U.S.\$ million)	(mbl, except as otherwise noted)	(U.S.\$ (1))	(U.S.\$ million)	(mbl, except as otherwise noted)	(U.S.\$ (1))	(U.S.\$ million)	
Energy products:									
Automotive gasoline	178,471	109.65	19,569	143,947	82.27	11,842	123,412	72.69	8,996
Diesel	321,106	122.37	39,293	295,297	97.85	28,894	270,099	93.42	25,232
Ethanol	140	57.14	8	155	70.97	11	294	71.43	21
Fuel oil (including bunker fuel)	29,813	79.12	2,359	36,481	68.61	2,503	37,235	48.23	1,796
Liquefied petroleum gas	81,636	76.43	6,239	79,695	47.27	3,767	76,759	39.96	3,067
Total energy products	611,166		67,468	555,575		47,017	507,799		39,112
Non-energy products:									
Petrochemical naphtha	61,034	90.46	5,521	61,111	64.33	3,931	59,832	44.07	2,637
Others	141,176	89.27	12,602	140,648	91.75	12,904	133,836	64.51	8,634
Total non-energy products	202,210		18,123	201,759		16,835	193,668		11,271
Natural gas (boe)	112,366	70.14	7,881	116,271	40.44	4,702	87,468	38.62	3,378
Sub-total	925,742		93,472	873,605		68,554	788,935		53,761
Distribution net sales	282,516	157.16	44,400	277,822	135.50	37,646	227,320	130.77	29,727
Intercompany net sales	(290,028)	101.56	(29,456)	(285,172)	83.69	(23,867)	(265,697)	66.11	(17,564)
Total domestic market	918,230		108,416	866,255		82,333	750,558		65,924
Export net sales	237,879	84.55	20,113	253,063	74.75	18,916	244,974	54.99	13,471
International net sales	49,460	118.30	5,851	53,183	145.01	7,712	103,056	56.25	5,797
Others	150,771	64.98	9,798	170,666	54.50	9,301	116,499	42.08	4,902
Sub-total	438,110		35,762	476,912		35,929	464,529		24,170
Services			1,737			2,190			1,052
Consolidated net sales	1,356,340		145,915	1,343,167		120,452	1,215,087		91,146

(1) Net average price calculated by dividing net sales by the volume for the year.

Effect of Taxes on Our Income

In addition to taxes paid on behalf of consumers to federal, state and municipal governments, such as the *Imposto sobre Circulação de Mercadorias e Serviços*, or ICMS, we are required to pay three principal charges on our oil production activities in Brazil: royalties, special participation and retention bonuses. See Item 4. "Information on the Company—Regulation of the Oil and Gas Industry in Brazil—Exploration and Development Regulation" and Item 3. "Key Information—Risk Factors—Risks Relating to Brazil."

These charges imposed by the Brazilian federal government are included in our cost of goods sold. In addition, we are subject to tax on our income at an effective rate of 25% and a social contribution tax at an effective rate of 9%, the standard corporate tax rate in Brazil. See Note 20.5 to our audited consolidated financial statements for the year ended December 31, 2011.

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Inflation and Exchange Rate Variation

Inflation

Since the introduction of the *real* as the Brazilian currency in July 1994, inflation in Brazil has remained relatively stable. Inflation was 6.50% in 2011, 5.90% in 2010 and 4.31% in 2009 as measured by IPCA, the National Consumer Price Index. Inflation has had, and may continue to have, effects on our financial condition and results of operations.

Exchange Rate Variation

Since we adopted the *real* as our functional currency in 1998, fluctuations in the value of the *real* against the U.S. dollar have had multiple effects on our results of operations.

Our reporting currency for all periods is the U.S. dollar. We maintain our financial records in *reais*, and translate our statements of operations into U.S. dollars at the average rate for the period. Although a substantial portion of our revenues is in *reais*, our revenues have been, and continue to be, linked to U.S. dollar-based international prices, since virtually all of our sales are of crude oil or oil products. When the *real* appreciates relative to the U.S. dollar as it did from 2003 through the first half of 2008, the effect is to generally increase both revenues and expenses when expressed in U.S. dollars. When the *real* depreciates, prices for our products when expressed in *reais* may remain constant, while in dollar terms they increase.

In 2011, the *real* appreciated 5.1% against the U.S. dollar, compared to an appreciation of 13.5% in 2010 and a depreciation of 8.1% in 2009. When the *real* depreciates relative to the U.S. dollar, our prices when expressed in U.S. dollars decline unless we raise prices.

Exchange rate variation also affects the amount of retained earnings available for distribution by us when measured in U.S. dollars. Amounts reported as available for distribution in our statutory accounting records are calculated in *reais* and prepared in accordance with the IFRS increase or decrease when measured in U.S. dollars as the *real* appreciates or depreciates against the U.S. dollar. The foreign exchange variations on foreign-denominated assets and liabilities of Brazilian operations (69% of total debt in December 2011) are recorded in the statement of income while the foreign exchange variations on the translation of foreign subsidiaries are recorded in shareholders' equity. In 2011, revenue from exports, which are denominated mainly in U.S. dollars, resulted in a higher amount of revenue when measured in *reais* as result of exchange rate fluctuations. In addition, the exchange rate variation creates foreign exchange gains and losses that are included in our results of operations determined in accordance with IFRS and that affect the amount of our unretained earnings available for distribution.

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Results of Operations

The differences in our operating results from year to year occur as a result of a combination of factors, including primarily: the volume of crude oil, oil products and natural gas we produce and sell; the price at which we sell our crude oil, oil products and natural gas; the level of imports and exports needed to satisfy our demand; and the differential between Brazilian and industrial inflation rates, adjusted by the depreciation or appreciation of the *real* against the U.S. dollar.

The table below shows the amount by which each of these variables has changed during the last three years. Production volumes presented in this table are prepared in accordance with Society of Petroleum Engineers (SPE) criteria, which are the criteria we apply to analyze our operating results:

	2011	2010	2009
Crude oil and NGL production (mmbbl/d):			
Brazil	2,022	2,004	1,971
International	140	144	132
Non-consolidated international production(1)	8	8	10
Total crude oil and NGL production	2,170	2,156	2,113
Change in crude oil and NGL production	0.6%	2.0%	6.8%
Average sales price for crude (U.S.\$/barrel):			
Brazil	102.24	74.66	54.22
International	91.37	66.42	53.58
Natural gas production (mmcf/d):			
Brazil	2,130	2,004	1,902
International	582	558	576
Total natural gas production	2,712	2,562	2,478
Change in natural gas production (sold only)	5.9%	3.4%	(1.9%)
Average sales price for natural gas (U.S.\$/mcf):			
Brazil(2)	9.43	7.34	7.21
International	2.88	2.36	2.11
Year-end exchange rate (<i>Reais</i> /U.S.\$)	1.88	1.67	1.74
Appreciation (depreciation) during the year(3)	(12.6%)	4.3%	25.5%
Average exchange rate for the year (<i>Reais</i> /U.S.\$)	1.67	1.76	2.00
Appreciation (depreciation) during the year(4)	5.1%	13.5%	(8.1%)
Inflation rate (IPCA)	6.5%	5.9%	4.3%

(1) Non-consolidated companies in Venezuela.

(2) Amounts were converted from bbl to cubic feet in accordance with the following scale: 1 bbl = 5.6146 cubic feet.

(3) Based on year-end exchange rate.

(4) Based on average exchange rate for the year.

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Results of Operations—2011 compared to 2010

Virtually all of our revenues and expenses for our Brazilian activities are denominated and payable in *reais*. When the *real* appreciates relative to the U.S. dollar, as it did in 2011 (an appreciation of 5.1%) the effect is to generally increase both revenues and expenses when expressed in U.S. dollars. However, the appreciation of the *real* against the U.S. dollar affects the line items discussed below in different ways. As a consequence, the following comparison between our results of operations in 2011 and in 2010 is impacted by the appreciation of the *real* against the U.S. dollar during that period. See Note 2.3 of our audited consolidated financial statements for the year ended December 31, 2011, for more information about the translation of Brazilian *reais* amounts into U.S. dollars.

Sales Revenues

Sales revenues increased 21% to U.S.\$145,915 million in 2011 compared to U.S.\$120,452 million in 2010. This increase was primarily a result of:

- increase of 40% in the international Brent crude oil and oil products prices, which resulted in an increase of the prices of exports, international sales, trading operations and domestic oil products indexed to such international prices;
- increase of 10% in domestic gasoline prices and 2% in diesel prices in November 2011;
- increase of 6% in domestic demand, 24% in domestic demand for gasoline, reflecting gasoline's competitive advantage if compared to ethanol, 9% in domestic demand for diesel and 12% in domestic demand for jet fuel; and
- increase of 2% in oil and gas production in Brazil.

These effects were partially offset by a decrease in exports of crude oil due to increased domestic feedstock processed by refineries.

Cost of Sales (Excluding Depreciation, Depletion and Amortization)

Cost of sales in 2011 increased 29% to U.S.\$99,595 million compared to U.S.\$77,145 million in 2010. This increase was principally a result of:

- increase of 40.4% (U.S.\$8,925 million) in the cost of imports, primarily due to the increase of 6% in domestic demand. The growth in domestic demand was met by higher crude oil and oil products import volumes to support the domestic market, purchased at prevailing international prices, which increased during the year.
- increase of 38.4% (U.S.\$4,150 million) in production taxes and charges in 2011 compared to 2010, reflecting higher international oil benchmark prices upon which such taxes and charges are based. The principal production taxes and charges are as follows:
 - royalties, which increased from U.S.\$5,340 million in 2010 to U.S.\$7,318 million in 2011, an increase of 37% in 2011 as compared to 2010; and
 - special participation charge (a charge payable in the event of high production or profitability from our fields), which increased from U.S.\$5,395 million in 2010 to U.S.\$7,562 million in 2011, an increase of 40.2% in 2011 as compared to 2010.

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The increase in production taxes and charges in 2011 was due to an increase of 40.2% in the reference price for domestic oil, which averaged U.S.\$100.39 for 2011 compared to U.S.\$ 71.58 for 2010, reflecting the increase in average prices for crude oil on the international market.

Administrative and General Expenses

Administrative and general expenses increased 16% to U.S.\$5,161 million in 2011 compared to U.S.\$4,441 million in 2010. This increase was primarily attributable to higher personnel expenses due to salary increases arising out of the Collective Bargaining Agreement for 2011, as well as by a larger workforce, higher personnel training costs and increased third-party technical services.

Exploration Costs

Exploration costs increased 21% to U.S.\$2,630 million in 2011 compared to U.S.\$2,168 million in 2010, due to an increase in the operational activity and higher write-off amounts of dry wells in Brazil.

Research and Development Expenses

Research and development expenses increased 47% to U.S.\$1,454 million in 2011 compared to U.S.\$989 million in 2010. This higher expense was primarily related to the development of the technological project called *Sistema de Separação Submarina de Água e Óleo – SSAO* (System of Submarine Separation of Water from Oil) and to the increased number of projects with institutions approved by the ANP, pursuant to ANP Rule 5/2005.

Other Operating Income and Expenses, Net

Other operating income and expenses, net remained relatively constant in 2011 (U.S.\$3,984 million) compared to 2010 (U.S.\$3,965 million). Excluding the impact of the appreciation of the *real*, other operating income and expenses, net decreased 6% in 2011 compared to 2010, mainly due to:

- U.S.\$619 million decrease in losses from legal and administrative proceedings, to U.S.\$412 million in 2011 compared to U.S.\$1,031 million in 2010; and
- U.S.\$542 million in gains from legal and arbitral proceedings in 2011, generated by the recovery of COFINS tax amounts and also as a result of the indemnification related to the assembly of Platform P-48.

This effect was partially offset by the U.S.\$331 million increase in impairment losses, to U.S.\$369 million in 2011 compared to U.S.\$38 million in 2010. See Note 12.4 of our consolidated financial statements for the year ended December 31, 2011.

Financial Income (Expenses), Net

We derive financial income from several sources, including interest income on cash and cash equivalents. The majority of our cash equivalents are short-term Brazilian federal government securities, including securities indexed to the U.S. dollar. We also hold U.S. dollar deposits. As we have increased the levels of our indebtedness substantially to fund our investments, the effect of the capitalization of our borrowing costs have had, and will continue to have, a significant impact on our financial result.

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Financial income (expenses), net decreased 95% to U.S.\$76 million in 2011 compared to U.S.\$1,551 million in 2010.

Our net financial income is principally a result of the following factors:

- Our net financial income is also affected by exchange rate movements and the amount of net assets or liabilities subject to exchange rate variation. In 2011 we had net liabilities in *reais* subject to exchange rate variation. Additionally, the value of the *real* against the U.S. dollar decreased 12.6% in 2011, compared to an increase of 4.3% in the value of the *real* against the U.S. dollar in 2010. As a result, exchange rate movements on our debt generated an exchange variation expense of U.S.\$2,443 million in 2011 compared to an exchange variation gain of U.S.\$800 million in 2010.
- Financial income increased by 56% (U.S.\$1,408 million) in 2010 to U.S.\$3,943 million in 2011 compared to U.S.\$2,535 million in 2010. Most of our cash equivalents are short-term Brazilian federal government securities which earn interest based on the Selic rate. In 2011 the Selic rate was 11.67% compared to 9.82% in 2010. Higher cash and equivalents denominated in *reais* also contributed to the higher interest income.

For a breakdown of our financial income (expenses), net and other additional information, please refer to Notes 27 and 4.6 of our consolidated financial statements for the year ended December 31, 2011.

Non-Controlling Interests

Non-controlling interests increased to a gain of U.S.\$129 million in 2011 compared to a loss of U.S.\$394 million in 2010, primarily due to the effects of exchange rates over the debt of our Special Purpose Entities – SPE.

Income Taxes

Income taxes expenses decreased 1.4% to U.S.\$6,732 million for 2011 compared to U.S.\$6,825 million for 2010 primarily due to the decrease of taxable income. The reconciliation between the tax calculated based upon statutory tax rates to income tax expense and effective rates is set forth in Note 20 of our consolidated financial statements for the year ended December 31, 2011.

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Net Income (Loss) by Business Segment

We measure performance at the segment level on the basis of net income. The following is a discussion of the net income of our six business segments at December 31, 2011, compared to December 31, 2010.

	Year Ended December 31,		Percentage Change
	2011(1)	2010(1)	
	(U.S.\$ million)		(%)
Exploration and Production	24,326	16,874	44.2
Refining, Transportation and Marketing	(5,718)	2,088	(373.9)
Gas and Power	1,862	736	153.0
Biofuel(2)	(95)	(53)	79.2
Distribution	774	710	9.0
International	1,179	730	61.5
Corporate(2)(3)	(721)	(527)	36.8
Eliminations	(1,486)	(503)	195.4
Net income	20,121	20,055	0.3

(1) Excluding non-controlling interests.

(2) As of 2011, the results of our Biofuel segment have been presented separately from our Corporate segment. The 2010 and 2009 financial information related to our Corporate and Biofuel segments were reclassified accordingly.

(3) Our Corporate segment comprises our financing activities not attributable to other segments, including corporate financial management, central administrative overhead and actuarial expenses related to our pension and health care plans for inactive participants.

Exploration and Production

Our Exploration and Production segment includes our exploration, development and production activities in Brazil, sales and transfers of crude oil in domestic and foreign markets, transfers of natural gas to our Gas and Power segment and sales of oil products produced at natural gas processing plants.

The increase of 44% in net income for our Exploration and Production segment was primarily due to an increase of 37% in domestic oil sale/transfer prices and, to a minor extent, an increase of 1% in oil and NGL production, partially offset by increased expenses related to production taxes.

The spread between the average domestic oil sale/transfer price and the average Brent price widened from US\$ 4.81/bbl in 2010 to US\$ 9.03/bbl in 2011. As a producer of relatively heavy oil, on average, this reduced our income relative to the increase in the Brent price.

See Item 4. "Information on the Company—Overview of the Group—Changes in Proved Reserves" for information on changes in proved reserves.

Refining, Transportation and Marketing

Our Refining, Transportation and Marketing segment (RTM) comprises refining, logistics, transportation, export and the purchase of crude oil, as well as the purchase and sale of oil products and ethanol. Additionally, this segment includes the petrochemical division, which comprises investments in domestic petrochemical companies and also extraction and processing of shale. RTM purchases crude oil from E&P and imports oil to blend with our domestic oil. Additionally, RTM purchases oil products in the international markets to meet excess product demand in the domestic market. RTM acquires crude oil and oil products at the international price, either from E&P or from international markets, and sells products in Brazil at a price that we expect will equal international prices in the long run. For some of our products, principally gasoline, diesel and residential LPG, however, the prices in Brazil can lag the international markets. Depending on the impact of this lag effect, RTM's earnings may differ from international refining margins.

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The decrease in net income for our RTM segment was attributable to higher oil acquisition/transfer costs and a greater volume and higher prices of oil product imports, reflecting the increase of 40% in Brent crude oil prices on a U.S.\$/bbl basis, which was not fully offset by increasing prices in the domestic and international market during the period.

Gas and Power

Our Gas and Power segment covers activities of transportation and trading of natural gas produced in or imported into Brazil, transportation and trading of LNG, generation and trading of electric power, as well as corporate interests in transporters and distributors of natural gas and in thermoelectric power stations in Brazil, in addition to being responsible for the fertilizer business.

The increase in net income for our Gas and Power segment was mainly due to the following factors:

- increase in average realization price of natural gas, due to greater participation in the industrial segment sales mix;
- reduction of acquisition/transfer costs of domestic natural gas, reflecting international prices and the appreciation of the *real* against the U.S. dollar;
- increased fixed revenues from energy auctions (regulated market), with the operational start-up of two new thermoelectric plants;
- increased fertilizer margin sales, reflecting growth in demand and higher prices of agricultural commodities;
- use of tax credits.

Biofuel

Our Biofuel segment covers activities of production of biodiesel and its co-products and ethanol activities, through equity investments, production and marketing of ethanol, sugar and the excess electric power generated from sugarcane bagasse.

The decrease of 79% in net income for our Biofuel segment in 2011 compared to 2010 was primarily due to unfavorable sales prices and also to increases in costs for acquisition and transportation of raw-material for biodiesel production and higher operating expenses.

These effects were partially offset by the profitability of the ethanol sector.

Distribution

Our Distribution segment comprises the oil products, ethanol and compressed natural gas distribution activities conducted by our 100% owned subsidiary, Petrobras Distribuidora S.A. – BR, in Brazil.

Net income for our Distribution segment in 2011 decreased 8%, excluding currency effects, compared to 2010 mainly due to increased costs related to commercial services, allowance for doubtful accounts and personnel expenses.

The Distribution segment accounted for 39.2% of the national fuel distribution market in 2011, compared to 38.8% in 2010.

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International

Our International segment comprises our activities in countries other than Brazil, which include exploration and production, refining, transportation and marketing, distribution and gas and power.

The increase of 62% in net income for our International segment was due primarily to the increase in commodities prices in the international market, decreased exploration costs due to write-offs of dry or economically unviable wells, partially offset by the oil tax levied in Nigeria and the higher allowance for marking inventory to market value in Japan, the United States and Argentina.

Results of Operations—2010 compared to 2009

Virtually all of our revenues and expenses for our Brazilian activities are denominated and payable in *reais*. When the *real* appreciates relative to the U.S. dollar, as it did in 2010 (an appreciation of 13.5%) the effect is to generally increase both revenues and expenses when expressed in U.S. dollars. However, the appreciation of the *real* against the U.S. dollar affects the line items discussed below in different ways. As a consequence, the following comparison between our results of operations in 2010 and in 2009 is impacted by the appreciation of the *real* against the U.S. dollar during that period. See Note 2.3 of our audited consolidated financial statements for the year ended December 31, 2010, for more information about the translation of Brazilian *real* amounts into U.S. dollars.

Certain prior year amounts have been reclassified to conform to current year presentation standards. These reclassifications had no impact on our net income.

Sales Revenues

Sales revenues increased 32.2% to U.S.\$120,452 million for 2010 compared to U.S.\$91,146 million for 2009. This increase was primarily a result of:

- higher prices for our exports of oil and oil products, and higher prices for products sold in Brazil that are regularly adjusted to reflect international prices. In addition, for all products sold in Brazil, the 13.5% average appreciation of the *real* against the U.S. dollar increased sales revenues when expressed in U.S. dollars;
- increase of 12.9% in sales volumes in the domestic market as a result of strong economic growth in Brazil, resulting in an increase of 10.7% in demand for oil products and an increase of 32.9% in demand for natural gas;
- increase in revenues of U.S.\$2,543 million as a result of offshore operations conducted by PifCo for our international trading activities, which increase was largely offset by a U.S.\$2,772 million increase in costs of goods sold; and
- an increase of 2.3% in total domestic and international oil and natural gas production.

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Cost of Sales (Excluding Depreciation, Depletion and Amortization)

Cost of sales for 2010 increased 42.8% to U.S.\$77,145 million compared to U.S.\$54,023 million for 2009. This increase was principally a result of:

- increase of 52.4% (U.S.\$7,596 million) in the cost of imports, primarily due to the growing demand for oil products in Brazil, mainly of diesel and jet fuel. The growth in Brazilian demand was met by higher volumes of imports, purchased at prevailing international prices, which increased during the year; and
- increase of 40.5% (U.S.\$3,116 million) in production taxes and charges in 2010 compared to 2009, reflecting higher international oil benchmark prices upon which such taxes and charges are based. The principal production taxes and charges are as follows:
 - o Royalties, which increased from U.S.\$3,558 million in 2009 to U.S.\$5,340 million in 2010, an increase of 50.1% in 2010 as compared to 2009;
 - o Special participation charge (a charge payable in the event of high production or profitability from our fields), which increased from U.S.\$4,094 million in 2009 to U.S.\$5,395 million in 2010, an increase of 31.8% in 2010 as compared to 2009; and
 - o Costs associated with rental fees of areas, which increased from U.S.\$46 million in 2009 to U.S.\$80 million in 2010, an increase of 73.2% in 2010 as compared to 2009.

The increase in production taxes and charges in 2010 was due to an increase of 29.3% in the reference price for domestic oil, which averaged U.S.\$70.34 for 2010 compared to U.S.\$54.40 for 2009, reflecting the increase in average prices for crude oil on the international market.

Administrative and General Expenses

Administrative and general expenses increased 21.3% to U.S.\$4,441 million for 2010 compared to U.S.\$3,662 million for 2009. This increase was primarily attributable to the impact of the appreciation of the *real* as well as higher personnel expenses due to an increased workforce and pay raises.

Exploration costs

Exploration costs, including costs for exploratory dry holes, increased 5.2% to U.S.\$2,168 million for 2010 compared to U.S.\$2,061 million for 2009. Excluding the impact of the appreciation of the *real*, exploration, including exploratory dry holes, remained relatively constant during 2010 compared to 2009.

Research and Development Expenses

Research and development expenses increased 44.4% to U.S.\$989 million for 2010 compared to U.S.\$685 million for 2009. This higher expense was primarily due to increased average sales prices of oil, which is the basis for a fixed 0.5% provision for expenses on research and development investment in Brazilian universities and institutions as required by our Brazilian oil and gas concession agreements.

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Other Operating Income and Expenses, Net

Other operating income and expenses, net increased 5.1% to U.S.\$3,965 million for 2010 compared to U.S.\$3,772 million for 2009, mainly due to:

- Increase of U.S.\$186 million in expenses with employee's postretirement benefits and other benefits, to U.S.\$882 million for 2010 compared to U.S.\$697 million for 2009;
- Increase of U.S.\$149 million in expense for institutional relations and cultural projects, to U.S.\$694 million for 2010 compared to U.S.\$545 million for 2009; and
- Increase of U.S.\$116 million in expenses related to collective bargaining agreements, to U.S.\$364 million for 2010 compared to U.S.\$248 million for 2009.

This effect was partially offset by the U.S.\$274 million decrease in impairment losses, to U.S.\$38 million in 2010 compared to U.S.\$312 million in 2009.

Financial Income (Expenses), Net

We derive financial income from several sources, including interest on cash and cash equivalents. The majority of our cash equivalents are short-term Brazilian federal government securities, including securities indexed to the U.S. dollar. We also hold U.S. dollar deposits.

Financial income (expenses), net increased to U.S.\$1,551 million in 2010 compared to U.S.\$97 million in 2009, reflecting:

- the impact of an increase of 4.3% in the value of the *real* against the U.S. dollar on our U.S. dollar-denominated indebtedness in 2010, which generated an exchange variation gain of U.S.\$800 million in 2010 compared to an exchange variation gain of U.S.\$47 million in 2009; and
- increase in financial income to U.S.\$2,535 million in 2010 compared to U.S.\$1,757 million in 2009 as a result of increased financial investments in Brazil.

Non-Controlling Interests

Non-controlling interests decreased 75% to U.S.\$394 million in 2010 compared to U.S.\$1,551 million in 2009, primarily due to the impact of the exchange rate variation on SPE debt, the exercise of stock options in certain structured projects and the revision of future receivable flows related to financial leasing operations.

Income Taxes

Income tax expense increased 26% to U.S.\$6,825 million for 2010 compared to U.S.\$5,421 million for 2009 primarily due to the increase of taxable income. The reconciliation between the tax calculated based upon statutory tax rates to income tax expense and effective rates is set forth in Note 20.5 of our consolidated financial statements for the year ended December 31, 2010.

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Net Income (Loss) by Business Segment

We measure performance at the segment level on the basis of net income. The following is a discussion of the net income of our six business segments at December 31, 2010, compared to December 31, 2009.

	Year Ended December 31,		
	2010(1)	2009(1)	Percentage Change
	(U.S.\$ million)		(%)
Exploration and Production	16,874	9,825	71.7
Refining, Transportation and Marketing	2,088	6,742	(69.0)
Gas and Power	736	487	51.1
Biofuel(2)	(53)	(46)	15.2
Distribution	710	582	22.0
International	730	(123)	(693.5)
Corporate(2)(3)	(527)	(1,774)	(70.3)
Eliminations	(503)	(385)	30.6
Net income	20,055	15,308	31.0

(1) Excluding non-controlling interests.

(2) As of 2011, the results of our Biofuel segment have been presented separately from our Corporate segment. The 2010 and 2009 financial information related to our Corporate and Biofuel segments were reclassified accordingly.

(3) Our Corporate segment comprises our financing activities not attributable to other segments, including corporate financial management, central administrative overhead and actuarial expenses related to our pension and health care plans for inactive participants.

Exploration and Production

The consolidated net income from our Exploration and Production segment increased 71.7% to U.S.\$16,874 million in 2010 compared to U.S.\$9,825 million in 2009 as a result of the following:

- increase in the price of crude oil, from U.S.\$54.22 per barrel in 2009 to U.S.\$74.66 per barrel in 2010, as a result of higher international prices. The higher price also reflected a reduction in the spread between the average price of domestic oil sold/transferred and the average Brent price, from U.S.\$ 7.29/bbl in 2009 to U.S.\$ 4.81/bbl in 2010, primarily due to the higher demand for heavy oil as compared to light oil;
- increase of 1.6% in oil and LNG production; and
- reduced losses and contingencies related to legal proceedings, particularly a charge of U.S.\$1,034 million related to a special participation in the Marlim field that was charged to operations in 2009.

These effects were partially offset by:

- higher production taxes, which increased from U.S.\$11.73 per barrel to U.S.\$14.61 per barrel due to higher oil prices, excluding lifting costs;
- increase in lifting costs from U.S.\$8.78 per barrel in 2009 to U.S.\$10.03 in 2010, primarily as a result of the appreciation of the *real* and increased maintenance costs in our fields; and
- non-recurring expenses of U.S.\$275 million related to project financing in the Barracuda and Caratinga fields.

See Item 4. "Information on the Company—Overview of the Group—Changes in Proved Reserves" for information on changes in proved reserves.

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Refining, Transportation and Marketing

The lower net income for Refining, Transportation and Marketing segment (RTM) in 2010, at U.S.\$2,008 million compared to U.S.\$6,742 million in 2009, was largely due to the higher oil acquisition/transfer costs and higher oil product import costs from both E&P and from international markets during 2010, which were not fully offset by the higher sales prices of diesel, gasoline and residential LPG.

These effects were partially offset by higher domestic oil product sales volumes (mainly for gasoline, diesel and jet fuel) and an increase in domestic prices for oil products, which are indexed to international prices.

An increase in refinery costs, from U.S.\$3.21 to U.S.\$4.33 per barrel, as a result of the strengthening of the *real*, increased refinery maintenance, and higher personnel and third party service costs also contributed to the reduced income.

Gas and Power

The improved result for our Gas and Power segment for 2010 compared to 2009 was due to:

- higher natural gas sales, led by growth in the industrial sector and thermo-electric demand;
- increased demand for power generation, which led to higher income from thermoelectric generation;
- increased fixed revenue from energy auctions (regulated market);
- lower acquisition/transfer costs of domestic natural gas reflecting international prices; and
- appreciation of the *real* against the dollar.

These effects were partially offset by:

- increasing LNG import costs and imports of gas from Bolivia; and
- higher selling expenses related to NGL reconverter ships.

Biofuel

The increase of 15.2% in net loss for our Biofuel segment in 2010 compared to 2009 was primarily due to unfavorable sales prices and also to increases in costs for acquisition and transportation of raw-material for biodiesel production and higher operating expenses.

These effects were partially offset by the profitability of the ethanol sector.

The Brazilian biofuels sector is undergoing consolidation and, as a result, we have not been able to achieve more favorable operational margins given current sales volumes and the price levels realized at auctions. Certain changes that have occurred with respect to auction rules will generate improved economic stability for biofuels plants situated in the Brazilian semi arid-region as a result of the consideration of logistic matters in the calculation of sales prices.

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Distribution

The increase of 22% in net income from our Distribution segment in 2010 compared to 2009 was primarily due to higher sales margins and an increase of 8% in sales volumes. These effects were partially offset by higher third-party service and personnel expenses and by a provision for tax contingencies.

The Distribution segment accounted for 38.8% of the national fuel distribution market in 2010, compared to 38.6% in 2009.

International

The improved result in our International segment in 2010 compared to 2009 was due to higher commodities prices in 2010 as well as higher sales volumes of crude oil resulting largely from the start-up of production in Akpo, Nigeria in March 2009.

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Additional Business Segment Information

Set forth below is additional selected financial data by business segment for 2011, 2010 and 2009:

	For the Year Ended December 31,		
	2011	2010	2009
(U.S.\$ million)			
Exploration and Production			
Sales revenues to third parties(1)(2)	516	242	473
Intersegment net revenues	73,601	54,031	38,286
Total sales revenues (2)	74,117	54,273	38,759
Net income (loss)(3)(4)	24,326	16,874	9,825
Capital expenditures and investments	20,405	18,621	16,162
Property, plant and equipment, net	90,539	83,135	66,833
Refining, Transportation and Marketing			
Sales revenues to third parties(1)(2)	80,484	65,397	49,245
Intersegment sales revenues	38,146	32,539	25,136
Total sales revenues (2)	118,630	97,936	74,381
Net income (loss)(3)(4)	(5,718)	2,088	6,742
Capital expenditures and investments	16,133	16,198	9,694
Property, plant and equipment, net(5)	54,629	45,622	30,434
Gas and Power			
Sales revenues to third parties(1)(2)	8,434	7,491	3,985
Intersegment sales revenues	1,304	1,001	938
Total sales revenues (2)	9,738	8,492	4,923
Net income (loss)(3)(4)	1,862	736	487
Capital expenditures and investments	2,293	3,964	5,398
Property, plant and equipment, net(5)	21,968	24,015	19,213
Biofuel(6)			
Sales revenues to third parties(1)(2)	32	34	1
Intersegment sales revenues	288	238	117
Total sales revenues (2)	320	272	118
Net income (loss)(3)(4)	(95)	(53)	(46)
Capital expenditures and investments	294	664	144
Property, plant and equipment, net(5)	285	328	273
Distribution			
Sales revenues to third parties(1)(2)	43,270	36,564	28,967
Intersegment sales revenues	731	718	685
Total sales revenues (2)	44,001	37,282	29,652
Net income (loss)(3)(4)	774	710	582
Capital expenditures and investments	679	515	331
Property, plant and equipment, net	2,510	2,404	1,966
International			
Sales revenues to third parties(1)(2)	13,179	10,724	8,475
Intersegment sales revenues	3,777	2,795	1,764
Total sales revenues (2)	16,956	13,519	10,239
Net income (loss)(3)(4)	1,179	730	(123)
Capital expenditures and investments	2,631	2,712	3,436
Property, plant and equipment, net	9,512	8,716	8,121

- (1) As a vertically integrated company, not all of our segments have significant third-party revenues. For example, our Exploration and Production segment accounts for a large part of our economic activity and capital expenditures, but has little third party revenues.
- (2) Revenues from commercialization of oil to third parties are classified in accordance with the points of sale, which could be either the Exploration and Production or Refining, Transportation and Marketing segments.
- (3) In order to align the financial statements of each business segment with the best practices of companies in the oil and gas sector and to improve our management's understanding, since the first quarter of 2006 we have switched to allocating all financial results and items of a financial nature to the corporate level, including prior years.
- (4) Excluding non-controlling interests.
- (5) The financial data for 2011, 2010 and 2009 was prepared in light of changes in business segments due to the transfer of the fertilizer business from the "Refining, Transportation and Marketing" segment to the "Gas and Power" segment.

(6) As of 2011, the results of our Biofuel segment have been presented separately from our Corporate segment. The 2010 and 2009 financial information related to our Corporate and Biofuel segments were reclassified accordingly.

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Management's Discussion and Analysis of PifCo's Financial Condition and Results of Operations

PifCo discontinued U.S. GAAP and adopted IFRS, as issued by the IASB, as the basis for the preparation and presentation of its financial statements and reporting with the SEC beginning with PifCo's financial statements as of and for the year ending December 31, 2011 presented in this annual report. This annual report on Form 20-F and all of our future reports filed with the SEC will only present financial information prepared in accordance with IFRS. Until December 31, 2010, PifCo's consolidated financial statements were prepared in accordance with U.S. GAAP, which differs in certain respects from IFRS. There was no effect on the stockholder's deficit as a result of the transition from U.S. GAAP to IFRS, as described in Note 1 to PifCo's financial statements as of and for the year ending December 31, 2011 presented in this annual report.

The information derived from PifCo's statement of operations for the years ended December 31, 2011, 2010 and 2009 has been presented in U.S. dollars and prepared in accordance with IFRS issued by the IASB. For more information, see "Presentation of Financial Information" and Note 1 to PifCo's financial statements presented in this annual report.

You should read the following discussion of PifCo's financial condition and results of operations together with PifCo's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2011 beginning on page F-135 to this annual report.

Overview

PifCo is our wholly-owned subsidiary. Accordingly, PifCo's financial condition and results of operations are significantly affected by our decisions. PifCo's ability to meet its outstanding debt obligations depends on a number of factors, including:

- our financial condition and results of operations;
- our willingness to continue to make loans to PifCo and provide PifCo with other types of financial support;
- PifCo's ability to access financing sources, including the international capital markets and third-party credit facilities; and
- PifCo's ability to transfer its financing costs to us.

PifCo earns income from:

- inter-company loans to our subsidiaries;
- investments in marketable securities; and
- other financial instruments.

PifCo's operating expenses include:

- financial expenses, mainly from interest on PifCo's lines of credit and capital markets indebtedness; and
- general and administrative expenses.

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PifCo has in the past engaged in both commercial operations and in financing activities for us. PifCo ceased its commercial operations altogether and has become our finance subsidiary, functioning as a vehicle to raise funds for us primarily through the issuance of debt securities in the international capital markets, among other means.

As part of PifCo's transition to become our finance subsidiary, PifCo transferred on August 12, 2011 to Petrobras International Braspetro B.V. (PIB BV), also our subsidiary, two of its wholly-owned subsidiaries: Petrobras Europe Limited (PEL), a United Kingdom company that acts as an agent and advisor in connection with our activities in Europe, the Middle East, the Far East and Africa, and Petrobras Singapore Private Limited (PSPL), a company incorporated in Singapore to trade crude oil and oil products in connection with our trading activities in Asia.

Since PifCo has ceased its commercial operations and has sold to PIB BV two of its wholly-owned subsidiaries, PEL and PSPL, PifCo has accounted for these operations as discontinued operations under IFRS issued by IASB. PifCo's balance and results of commercial operations, and PEL and PSPL and their respective cash flows, have been removed from PifCo's results of continuing operations and cash flows for all years presented in this report. See Note 13 to PifCo's consolidated financial statements for December 31, 2011.

In addition, in September 2011, PifCo terminated the financing program carried out by its subsidiary Petrobras Finance Limited (PFL), a Cayman Islands company that carries out a financing program supported by future sales of fuel oil. PifCo expects to continue its insurance-related activities through its wholly-owned subsidiary Bear Insurance Company (BEAR), a Bermuda company that contracts insurance for us and our subsidiaries. We will continue to support PifCo's debt obligations through unconditional and irrevocable guaranties of payment.

Results of Operations—2011 compared to 2010

Net loss for the year

PifCo had a loss of U.S.\$376 million in 2011 compared to a loss of U.S.\$261 million in 2010.

Financial income

PifCo's financial income consists of interest received from inter-company loans to our subsidiaries, investments in marketable securities and other financial instruments. PifCo's financial income was U.S.\$633 million in 2011 compared to U.S.\$311 million in 2010. This increase was primarily due to higher financial income from loans to related parties, due to a substantial increase in the aggregate amount of funds lent to our subsidiaries as a result of PifCo becoming our finance subsidiary.

Financial expenses

PifCo's financial expenses consist of interest paid and accrued on PifCo's outstanding indebtedness, other fees associated with PifCo's issuance of debt and other financial. PifCo's financial expenses increased 16.4% to U.S.\$1,202 million in 2011 compared to U.S.\$1,033 million in 2010. This increase was primarily due to higher interest expenses relating to recent issuances of notes, including our issuance of U.S.\$6.0 billion in Global notes in January 2011 and €1.85 billion and £700 million in December 2011.

General and administrative expenses

PifCo's general and administrative expenses consist primarily of cost sharing with us. These expenses increased 38.5% to U.S.\$18 million in 2011 compared to U.S.\$13 million in 2010.

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Net income from discontinuing operations

PifCo's commercial operations and two of its wholly-owned subsidiaries, PEL and PSPL, sold to PIB BV were accounted as discontinued operations in accordance with IFRS issued by IASB, and therefore, PifCo's results of commercial operations, and PEL and PSPL and their respective cash flows, have been removed from PifCo's results of continuing operations and cash flows for all years presented in this report.

PifCo's net income from discontinuing operations was U.S.\$119 million in 2011 compared to U.S.\$476 million in 2010.

Results of Operations—2010 compared to 2009

Net (loss)/income for the year

PifCo had a loss of U.S.\$261 million in 2010 compared to a net income of U.S.\$487 million in 2009.

Financial income

PifCo's financial income consists of interest received from inter-company loans to our subsidiaries, investments in marketable securities and other financial instruments. PifCo's financial income decreased 20.6% to U.S.\$311 million in 2010 compared to U.S.\$392 million in 2009. This decrease was primarily due to reduced marketable securities income.

Financial expenses

PifCo's financial expenses consist of interest paid and accrued on PifCo's outstanding indebtedness, other fees associated with PifCo's issuance of debt and other financial. PifCo's financial expenses decreased 38.8% to U.S.\$1,033 million in 2010 compared to U.S.\$1,688 million in 2009. This decrease was primarily due to the extinguishment of PifCo's inter-company loans.

General and administrative expenses

PifCo's general and administrative expenses consist primarily of cost sharing with us. These expenses increased 18.2% to U.S.\$13 million in 2010 compared to U.S.\$11 million in 2009.

Net income from discontinuing operations

PifCo's commercial operations and two of its wholly-owned subsidiaries, PEL and PSPL, sold to PIB BV were accounted as discontinued operations in accordance with IFRS issued by IASB, and therefore, PifCo's results of commercial operations, and PEL and PSPL and their respective cash flows, have been removed from PifCo's results of continuing operations and cash flows for all years presented in this report.

PifCo's net income from discontinuing operations was U.S.\$476 million in 2010 compared to U.S.\$1,794 million in 2009.

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Liquidity and Capital Resources

Petrobras

Overview

Our principal uses of funds are for capital expenditures, dividend payments and repayment of debt. In 2009, 2010 and 2011, we met these requirements with internally generated funds, short-term debt, long-term debt and cash generated by capital increases. For 2012 and beyond, we believe internally generated funds and increases in debt, together with our strong position of cash and cash equivalents, will continue to allow us to meet our current capital requirements. In 2012, our major cash needs are for our budgeted capital expenditures of U.S.\$50.6 billion, the remaining part of announced dividends, interest on shareholders' equity of U.S.\$2,225 million and principal payments of U.S.\$3,734 million on our long-term debt, leasing and project financing obligations.

Financing Strategy

The objective of our financing strategy is to help us achieve the targets set forth in our 2011-2015 Business Plan released on July 25, 2011, which provides for capital expenditures of U.S.\$224.7 billion from 2011 through 2015. Our 2011-2015 Business Plan forecasts that we will supplement internally generated cash flow with proceeds from the capital increase that we completed on October 1, 2010, and increases in our net debt, which should allow us to maintain a sound capital structure that stays within our targeted financial leverage ratios. We will raise debt capital through a variety of medium and long-term financing arrangements, including the issuance of bonds in the international capital markets, supplier financing, project financing and bank financing. We will continue our policy of extending the term of our debt maturity profile.

For 2012, we intend to fund our financial needs through a combination of drawing down our year-end cash balances and existing credit facilities, as well as contracting new debt from a broad range of traditional funding sources, including global debt capital markets, export credit agencies, non-Brazilian government development banks, the BNDES, and Brazilian and international commercial banks. As of February 9, 2012, we have financed part of our needs for the current year through a U.S.\$7 billion offering of Global Notes in the international capital markets.

Government Regulation

We are required to submit our annual capital expenditures budget (*Plano de Dispêndio Global*, or PDG) to the Brazilian Ministry of Planning, Budget and Management, and the Ministry of Mines and Energy. Following review by these agencies, the Brazilian Congress must approve the budget. Although the total level of our annual capital expenditures is regulated, the specific application of funds is left to our discretion. Since mid-1991, we have obtained substantial amounts of our financing from the international capital markets, mainly through the issuance of commercial paper and short, medium and long-term notes, and have increasingly been able to raise long-term funds for large capital expenditure items such as rigs and platforms.

The Brazilian Ministry of Planning, Budget and Management controls the total amount of medium and long-term debt that we and our Brazilian subsidiaries can incur through the annual budget approval process. Before issuing medium and long-term debt, we and our Brazilian subsidiaries must also obtain the approval of the National Treasury Secretariat. All of our foreign currency denominated debt, as well as the foreign currency denominated debt of our Brazilian subsidiaries, requires registration with the Central Bank.

However, the issuance of debt by our international subsidiaries is not subject to registration with the Central Bank or approval by the National Treasury Secretariat. In addition, all issuances of medium and long-term notes and debentures require the approval of our board of directors. Borrowings that exceed the approved budgeted amount for any year also require approval of the Brazilian Senate.

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Sources of Funds

Our Cash Flow

On December 31, 2011, we had cash and cash equivalents of U.S.\$19,057 million compared to U.S.\$17,655 million at December 31, 2010.

Operating activities provided net cash flows of U.S.\$33,698 million for 2011 compared to U.S.\$30,110 million for 2010. Cash generated by operating activities was mainly impacted by higher gross profit and by income on cash and cash equivalents.

Net cash provided by financing activities amounted to U.S.\$4,232 million for 2011 compared to U.S.\$31,319 million for 2010. This decrease was primarily due to the capital increase generated by our global public offering of shares, concluded in October, 2010, offset by higher funds raised in 2011, net of draw-downs. Net cash from financing activities was reduced by the payment of dividends of U.S.\$6,422 million compared to U.S.\$5,398 million in 2010. We typically pay dividends in the year following the announcement of the corresponding results. In 2011, we paid dividends related to 2010 earnings as well as a large portion of interest on shareholders' equity related to 2011 earnings in advance of the close of our 2011 fiscal year.

Our net debt increased 50% to U.S.\$54,922 million as of December 31, 2011 compared to U.S.\$36,614 million as of December 31, 2010, primarily due to the raising of long-term debt and the effects of the 12.6% depreciation of the *real* against the U.S. dollar.

Short-Term Debt

Our outstanding short-term debt serves mainly to support our working capital and our imports of crude oil and oil products, and is provided almost entirely by international banks and includes the current portion of long-term debt and current portion of finance lease obligations. On December 31, 2011, our total short-term debt amounted to U.S.\$10,111 million (of which U.S.\$3,690 million was the current portion of long-term debt) compared to U.S.\$9,056 million on December 31, 2010.

Long-Term Debt

Our outstanding long-term debt consists primarily of securities issued in the international capital markets, debentures issued in the domestic capital markets, amounts outstanding under facilities guaranteed by export credit agencies and multilateral agencies, loans from the BNDES and other financial institutions and project financings, including finance lease obligations. Our total long-term debt amounted to U.S.\$72,816 million on December 31, 2011 compared to U.S.\$60,532 million on December 31, 2010. This increase was primarily due to international borrowings, mainly in the form of drawings on financing obtained from the issuance of Global Notes, as well as proceeds in the form of Export Credit Notes obtained from the Banco do Brasil and the Caixa Econômica Federal. These financial resources will be used primarily for the development of projects related to oil and gas production, for the construction of ships and pipelines, as well as for the expansion of industrial units. See Note 16 to our consolidated financial statements for the year ended December 31, 2011, for more information.

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Included in these figures at December 31, 2011 are the following international debt issues:

<u>Notes (*)</u>	<u>Principal Amount (U.S.\$ million)</u>
PESA's 9.375% Notes due 2013	200
PifCo's 9.125% Global Notes due 2013	750
PifCo's 7.750% Global Notes due 2014	600
PifCo's 2.150% Japanese Yen Bonds due 2016 (1)	445
PifCo's 3.875% Global Notes due 2016	2,500
PifCo's 6.125% Global Notes due 2016	899
PESA's 5.875% Notes due 2017	300
PifCo's 8.375% Global Notes due 2018	750
PifCo's 4.875% Global Notes due 2018 (2)	1,622
PifCo's 5.875% Global Notes due 2018	1,750
PifCo's 7.875% Global Notes due 2019	2,750
PifCo's 5.750% Global Notes due 2020	2,500
PifCo's 5.375% Global Notes due 2021	2,500
PifCo's 5.875% Global Notes due 2022 (3)	779
PifCo's 6.250% Global Notes due 2026 (4)	1,088
PifCo's 6.875% Global Notes due 2040	1,500
PifCo's 6.750% Global Notes due 2041	1,000

(*) Unless otherwise noted, all debt issued by PifCo is issued with support from us through a guaranty.

(1) Issued by PifCo on September 27, 2006 in the amount of ¥ 35 billion, with support from us through a standby purchase agreement.

(2) Issued by PifCo on December 9, 2011 in the amount of €1,250 million.

(3) Issued by PifCo on December 9, 2011 in the amount of €600 million.

(4) Issued by PifCo on December 12, 2011 in the amount of £700 million.

On February 6, 2012, PifCo issued a total of U.S.\$7,000 million global notes registered with the Securities and Exchange Commission, consisting of the following:

- U.S.\$2,750 million 5.375% Global Notes due 2021;
- U.S.\$1,250 million 6.750% Global Notes due 2041;
- U.S.\$1,250 million 2.875% Global Notes due 2015; and
- U.S.\$1,750 million 3.500% Global Notes due 2017.

The 2021 Notes were a re-opening of, and are fully fungible with, our outstanding U.S.\$2,500 million 5.375% Global Notes due 2021 issued on January 27, 2011. The total amount outstanding of our 5.375% Global Notes due 2021 now is U.S.\$5,250 million.

The 2041 Notes were a re-opening of, and are fully fungible with, our outstanding U.S.\$1,000 million 6.750% Global Notes due 2041 issued on January 27, 2011. The total amount outstanding of our 6.750% Global Notes due 2041 now is U.S.\$2,250 million.

Off Balance Sheet Arrangements

As of December 31, 2011, neither we nor PifCo had off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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Uses of Funds

Capital Expenditures and Investments

We invested a total of U.S.\$43,164 million in 2011, a decrease of 0.8% compared to our investments of U.S.\$43,513 million in 2010. Our investments in 2011 were primarily directed toward increasing production, modernizing and expanding our refineries and the integration and expansion of our pipeline transportation and distribution systems. Of the total capital expenditures in 2011, U.S.\$20,405 million was invested in exploration and development projects in Brazil, including investments financed through project financing.

The following table sets forth our consolidated capital expenditures (including project financings and investments in thermoelectric power plants) for each of our business segments for 2011, 2010 and 2009:

	For the Year Ended December 31		
	2011	2010	2009
	(U.S.\$ million)		
Exploration and Production	20,405	18,621	16,162
Refining, Transportation and Marketing	16,133	16,198	9,694
Gas and Power	2,293	3,964	5,398
Biofuel	294	664	144
Distribution	679	515	331
International			
Exploration and Production	2,340	2,379	2,136
Refining, Transportation and Marketing	189	148	610
Gas and Power	31	87	110
Distribution	58	60	558
Others	13	38	22
Corporate	729	839	1,057
Total	43,164	43,513	36,222

On July 25, 2011, we announced our 2011-2015 Business Plan, which contemplates total budgeted capital expenditures of U.S.\$224.7 billion from 2011 to 2015, approximately U.S.\$213.5 billion of which will be directed towards our activities in Brazil, while U.S.\$11.2 billion will be directed to our activities abroad. We expect that the majority of our capital expenditures from 2011 to 2015, approximately U.S.\$127.5 billion, will be directed towards exploration and production, of which U.S.\$117.7 billion is slated for our activities in Brazil (U.S.\$53.4 billion of which is dedicated to the pre-salt reservoirs).

Our capital expenditure budget for 2012, including our project financings, is U.S.\$50.6 billion, allocated as follows:

- Exploration and Production segment: 47.8%;
- Refining, Transportation and Marketing segment: 37.7%;
- Distribution segment: 1.6%;
- Gas and Power segment: 5%;
- International segment: 4.8%;
- Corporate segment: 1.6%; and
- Our subsidiary Petrobras Biocombustível: 1.5%.

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We plan to meet our budgeted capital expenditures primarily through internally generated cash, issuances in the international capital markets, project finance loans, commercial bank loans and other sources of capital. Our actual capital expenditures may vary substantially from the projected numbers set forth above as a result of market conditions and the cost and availability of the necessary funds.

Dividends

Our shareholders approved a total dividend distribution of R\$12,001 million (U.S.\$6,905 million) for 2011 earnings at the Ordinary General Meeting held on March 19, 2012, which includes interest on shareholders' equity already approved by our board of directors. We paid U.S.\$6,071 million of this amount to shareholders in the form of interest on shareholders' equity in May, August and November of 2011 and February of 2012, in advance of the close of our 2011 fiscal year. The remaining U.S.\$834 million in dividends and interest on shareholders' equity relating to our 2011 earnings will be paid until May 18, 2012, restated according to the SELIC rate from December 31, 2011 to the date of payment. The total amount of 2011 dividends approved by our shareholders is equivalent to R\$0.92 (U.S.\$0.50) per common and preferred share and R\$1.84 (U.S.\$1.00) per common and preferred ADS. For more information on our dividend policy, including a description of the minimum preferred dividend to which our preferred shareholders are entitled under our bylaws, see "Mandatory Distribution" and "Payment of Dividends and Interest on Shareholders' Equity" in Item 10. "Additional Information—Memorandum and Articles of Incorporation of Petrobras."

PifCo

Overview

PifCo engages in borrowings in international capital markets, such borrowings being unconditionally guaranteed by us, as part of our strategy to expand our operations and to facilitate our access to international capital markets. Our support of PifCo's debt obligations has been and will continue to be made through unconditional and irrevocable guaranties of payment.

As an offshore non-Brazilian company, PifCo is not legally obligated to receive prior approval from the Brazilian National Treasury before incurring debt or registering debt with the Central Bank. As a matter of policy, however, the issuance of any debt follows the recommendation of our Chief Financial Officer, Executive Board or Board of Directors, depending on the aggregate principal amount and the tenor of the debt to be issued.

Sources of Funds

PifCo's Cash Flow

At December 31, 2011, PifCo had cash and cash equivalents of U.S.\$4,087 million compared to U.S.\$1,197 million at December 31, 2010.

PifCo's operating activities provided net cash of U.S.\$2,841 million in 2011 compared to providing net cash of U.S.\$10,245 million in 2010, primarily due to the termination of PifCo's commercial operations in 2011.

PifCo's investing activities used net cash of U.S.\$8,858 million in 2011 compared to using net cash of U.S.\$1,656 million in 2010, primarily as a result of an increase in the amount of loans to related parties.

PifCo's financing activities provided net cash of U.S.\$8,907 million in 2011 compared to using net cash of U.S.\$8,345 million in 2010, primarily due to the issuance of U.S.\$6.0 billion in Global Notes in January 2011, €1.85 billion and £700 million in December 2011.

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Notes receivable from related parties increased to U.S.\$12,387 million at December 31, 2011, from U.S.\$3,067 million at December 31, 2010, primarily as a result of an increase in the amount of loans to related parties due to a substantial increase in the aggregate amount of funds lent to our subsidiaries as a result of PifCo had become our finance subsidiary.

PifCo's Short-Term Borrowings

PifCo's short-term borrowings are denominated in U.S. dollars and consist of short-term lines of credit and the current portion of long-term lines of credit, and loans from financing institutions. At December 31, 2011, PifCo had borrowed U.S.\$2,672 million under lines of credit, including the current portion of long-term lines of credit and loans from financing institutions, compared to U.S.\$2,063 million borrowed at December 31, 2010. The weighted average annual interest rate on these short-term borrowings was 2.90% at December 31, 2011, compared to 2.73% at December 31, 2010. At December 31, 2011, PifCo had utilized all of its available funds from lines of credit.

PifCo's Long-Term Borrowings

At December 31, 2011, PifCo had long-term borrowings outstanding in financing institutions of:

- U.S.\$259 million long-term and U.S.\$2,600 million in current portion of long-term lines of credit due between 2012 and 2017 compared to U.S.\$878 million at December 31, 2010. At December 31, 2011, PifCo had utilized all of its available funds from lines of credit; and
- U.S.\$143 million (U.S.\$72 million current portion) under the loan agreement with Malha Gas Investment Co. Ltd. (M-GIC), which acts as a Facility Agent for the Japan Bank for International Cooperation (JBIC). This loan bears interest at Libor plus 0.8% per year, payable semi-annually. The principal amount has been paid semi-annually since December 15, 2009 and will mature on December 15, 2014.

At December 31, 2011, PifCo also had outstanding:

- U.S.\$20,083 million in Global Notes, due between 2013 and 2041 that bear interest at rates from 3.875% to 9.125% per year. Interest on these notes are paid either semi-annually or annually and the proceeds were used for general corporate purposes; and
- U.S.\$445 million (¥35 billion) in Japanese Yen Bonds issued in September 2006 and due September 2016. The issue was a private placement in the Japanese market with a partial guarantee from the Japan Bank for International Cooperation (JBIC). The bonds bear interest at the rate of 2.15% per year, payable semi-annually. On the same date, PifCo entered into a swap agreement with Citibank, swapping the total amount of this debt to a U.S. dollar-denominated debt.

PifCo had no outstanding position at December 31, 2011 in irrevocable letters of credit and had U.S.\$94 million at December 31, 2010. At December 31, 2011, PifCo had no standby committed facilities available.

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The following table sets forth the sources of PifCo's current and long-term debt at December 31, 2011 and 2010:

	December 31, 2011		December 31, 2010	
	Current	Long-term	Current	Long-term
	(U.S.\$ million)			
Financing Institutions	2,672	402	2,063	1,092
Global Notes	371	20,083	250	10,673
Japanese Yen Bonds	2	445	2	421
Sale of right to future receivables(1)	–	–	70	191
Senior Notes	–	–	246	–
Total	3,045	20,930	2,631	12,377

(1) On September 1, 2011, PFL prepaid the Senior Trust Certificates and Junior Trust Certificates (Series A and B) due 2013 and 2015, respectively. In order to facilitate this advance payment, we prepaid to PFL an amount of US\$233 million related to the export prepayment program. On prepayment of the Senior Trust Certificates, PFL paid a premium in the amount of US\$19 million.

The following table sets forth the sources of PifCo's capital markets debt outstanding at December 31, 2011:

Notes	Principal Amount (U.S.\$ million)
9.125% Global Notes due 2013	374
7.750% Global Notes due 2014	398
2.150% Japanese Yen Bonds due 2016(1)	445
3.875% Global Notes due 2016	2,500
6.125% Global Notes due 2016	899
4.875% Global Notes due 2018(2)	1,622
8.375% Global Notes due 2018	577
5.875% Global Notes due 2018	1,750
7.875% Global Notes due 2019	2,750
5.750% Global Notes due 2020	2,500
5.375% Global Notes due 2021	2,500
5.875% Global Notes due 2022(3)	779
6.250% Global Notes due 2026(4)	1,088
6.875% Global Notes due 2040	1,500
6.750% Global Notes due 2041	1,000
Total	20,682

(1) Issued by PifCo on September 27, 2006 in the amount of ¥35 billion, with our support through a standby purchase agreement.

(2) Issued by PifCo on December 9, 2011 in the amount of €1.25 billion.

(3) Issued by PifCo on December 9, 2011 in the amount of €600 million.

(4) Issued by PifCo on December 12, 2011 in the amount of £700 million.

Unless otherwise noted, all debt is issued by PifCo and is unconditionally guaranteed by us.

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Contractual Obligations

Petrobras

The following table summarizes our outstanding contractual obligations and commitments at December 31, 2011:

	Payments Due by Period				
	Total	< 1 year	1-3 years	3-5 years	> 5 years
	(U.S.\$ million)				
Contractual obligations					
Balance sheet items:(1)					
Current and non-current debt obligations	82,785	10,067	6,825	18,620	47,273
Capital (finance) lease obligations	142	21	20	20	81
Total balance sheet items	82,927	10,088	6,845	18,640	47,354
Other current and non-current contractual commitments					
Natural gas ship-or-pay	5,354	639	1,314	1,335	2,066
Service contracts	86,310	36,843	28,759	8,657	12,051
Natural gas supply agreements(2)	11,363	1,600	2,941	2,837	3,985
Operating leases	55,513	12,818	19,489	9,915	13,291
Purchase commitments	20,778	8,069	5,607	2,339	4,763
International purchase commitments	15,779	6,100	3,481	1,697	4,501
Total other current and non-current commitments	195,097	66,069	61,591	26,780	40,657
Total	278,024	76,157	68,436	45,420	88,011

- (1) Excludes the amount of U.S.\$33,873 million related to our pension fund obligations that are guaranteed by U.S.\$26,303 million in plan assets. Information on employees' postretirement benefit plans is set forth in Note 21.5 of our consolidated financial statements for the year ended December 31, 2011.
- (2) Amounts disclosed assume that the counterparty would not fulfill certain precedent conditions in the agreement. For additional information about natural gas supply agreements entered into by us, please refer to Item 4. "Information on the Company – Gas and Power – Natural Gas – Long-Term Natural Gas Commitments".

PifCo

The following table sets forth PifCo's contractual obligations as of December 31, 2011 and the period in which the contractual obligations come due:

	Payments Due by Period				
	Total	< 1 year	1-3 years	3-5 years	> 5 years
	(U.S.\$ million)				
Contractual obligations					
Long-term debt(1)	21,621	691	984	3,918	16,028

- (1) Includes the current portion of long-term lines of credit, and loans from financing institutions.

On February 6, 2012, PifCo issued a total of U.S.\$7,000 million global notes registered with the Securities and Exchange Commission, consisting of the following:

- U.S.\$2,750 million 5.375% Global Notes due 2021;
- U.S.\$1,250 million 6.750% Global Notes due 2041;
- U.S.\$1,250 million 2.875% Global Notes due 2015; and
- U.S.\$1,750 million 3.500% Global Notes due 2017.

The 2021 Notes were a re-opening of, and are fully fungible with, our outstanding U.S.\$2,500 million 5.375% Global Notes due 2021 issued on January 27, 2011. The total amount outstanding of our 5.375% Global Notes due 2021 now is U.S.\$5,250 million.

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The 2041 Notes were a re-opening of, and are fully fungible with, our outstanding U.S.\$1,000 million 6.750% Global Notes due 2041 issued on January 27, 2011. The total amount outstanding of our 6.750% Global Notes due 2041 now is U.S.\$2,250 million.

Critical Accounting Policies and Estimates

The following discussion describes those areas that require the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. The accounting estimates we make in these contexts require us to make assumptions about matters that are highly uncertain.

The discussion addresses only those estimates that we consider most important based on the degree of uncertainty and the likelihood of a material impact if we used a different estimate. There are many other areas in which we use estimates about uncertain matters, but the reasonably likely effect of changed or different estimates is not material to our financial presentation.

For more detailed information about our Critical Accounting Policies and Estimates, please refer to Note 4 to our audited consolidated financial statements as of December 31, 2011.

Oil and Gas Reserves

Reserves are estimated based on engineering and geological information such as well logs, pressure data and fluid sample core data. Estimates of oil and gas reserves require the application of judgment and are subject to regular revisions, either upward or downward, based on new geological, engineering or economical information available.

The estimation of proved reserves is an ongoing process that takes into account engineering and geological information such as well logs, pressure data and fluid sample core data. Estimates of oil and gas reserves require the application of judgment and are subject to regular revisions, either upward or downward, based on new geological, engineering or economic information that becomes available from time to time.

For more detailed information about Oil and Gas Reserves, please refer to "Supplementary Information on Oil and Gas Exploration and Production" in our audited consolidated financial statements as of December 31, 2011.

Impact of Oil and Gas Reserves on Depreciation and Depletion

The company uses unit of production method for depreciation and depletion of certain oil and gas producing properties. Revisions of the Company's proved developed and undeveloped reserves impacts prospectively the amounts: of depreciation and depletion charged in the results of operations and the carrying amounts of oil and gas properties assets.

For more detailed information about the Impact of Oil and Gas Reserves on Depreciation and Depletion, please refer to Note 12 to our audited consolidated financial statements as of December 31, 2011.

Impact of Oil and Gas Reserves and Prices on Testing for Impairment

Oil and gas producing properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We estimate the future and discounted cash flows of the affected properties to judge the recoverability of carrying amounts. In general, analyses are based on proved reserves, except in circumstances where it is probable that additional non-proved reserves will be developed and contribute to cash flows in the future; the percentage of probable reserves that we include in cash flows does not exceed our past success ratios in developing probable reserves.

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We perform asset valuation analyses on an ongoing basis as a part of our management program by reviewing whether the carrying amounts of any of our assets may not be recoverable. In addition to estimating oil and gas reserve volumes in conducting these analyses, it is also necessary to estimate future oil and gas prices.

In general, we do not view temporarily low oil prices as a trigger event for conducting impairment tests. The markets for crude oil and natural gas have a history of significant price volatility. Although prices will occasionally drop precipitously, industry prices over the long term will continue to be driven by market supply and demand fundamentals. Accordingly, any impairment tests that we perform make use of our long-term price assumptions for the crude oil and natural gas markets. These are the same price assumptions that are used in our planning and budgeting processes and our capital investment decisions, and they are considered to be reasonable, conservative estimates given market indicators and past experience. Significantly lower future oil and gas prices could lead to impairments in the future, if such decreases were considered to be indicative of long-term trends. In addition, significant changes in production curve expectation, discount and/or required production and lifting costs, could affect impairment analysis.

For more detailed information about the Impact of Oil and Gas Reserves and Prices on Testing for Impairment, please refer to Note 12.4 to our audited consolidated financial statements as of December 31, 2011.

Pension and Other Post-Retirement Benefits

The determination of the expense and liability relating to our pension and other post-retirement benefits involves the use of judgment in the determination of actuarial assumptions. These include estimates of future mortality, withdrawal, changes in compensation and discount rate to reflect the time value of money as well as the rate of return on plan assets. These assumptions are reviewed at least annually and may differ materially from actual results due to changing market and economic conditions, regulatory events, judicial rulings, higher or lower withdrawal rates or longer or shorter life spans of participants.

For more detailed information about Pension and Other Post Retirement Benefits, please refer to Note 21 to our audited consolidated financial statements as of December 31, 2011.

Litigation, Tax Assessments and Other Contingencies

Claims for substantial amounts have been made against us arising in the normal course of business. We are sometimes held liable for spills and releases of oil products and chemicals from our operating assets. In accordance with the guidance provided by IFRS, we accrued for these costs when it is probable that a liability has been incurred and reasonable estimates of the liability can be made. Significant management judgment is required to comply with this guidance and it includes management's discussion with our attorneys, taking into account all of the relevant facts and circumstances.

For more detailed information about Litigation, Tax Assessments and Other Contingencies, please refer to Note 28 to our audited consolidated financial statements as of December 31, 2011.

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Asset Retirement Obligations and Environmental Remediation

Under various contracts, permits and regulations, we have material legal obligations to remove equipment and restore the land or seabed at the end of operations at production sites. Our most significant asset removal obligations involve removal and disposal of offshore oil and gas production facilities worldwide. We accrue the estimated discounted costs of dismantling and removing these facilities at the time of installation of the assets. We also estimate costs for future environmental clean-up and remediation activities based on current information on costs and expected plans for remediation. Estimating asset retirement, removal and environmental remediation costs requires performing complex calculations that necessarily involve significant judgment because our obligations are many years in the future, the contracts and regulation have vague descriptions of what removal and remediation practices and criteria will have to be met when the removal and remediation events actually occur and asset removal technologies and costs are constantly changing, along with political, environmental, safety and public relations considerations. Consequently, the timing and amounts of future cash flows are subject to significant uncertainty. However, given the significant amount of time to the ultimate retirement date, any modifications in technological specifications, legal requirement, or other matters, would not have a materially adverse effect on any one reporting period.

In 2011, we reviewed and revised our estimated costs associated with well abandonment and the demobilization of oil and gas production areas, considering new information about date of expected abandonment and revised cost estimates to abandon. For more information about the annual changes in the abandonment provisions, please refer to Note 19 to our audited consolidated financial statements as of December 31, 2011.

Derivative Instruments

Accounting for derivative transactions requires us to employ judgment to compute fair market values, which are used as the basis for recognition of the derivative instruments in our consolidated financial statements. Such measurement may depend on the use of estimates such as estimated future prices, long-term interest rates and inflation indices, and becomes increasingly complex when the instrument being valued does not have counterparts with similar characteristics traded in an active market.

For more detailed information about Derivative Instruments please refer to Note 31 to our audited consolidated financial statements as of December 31, 2011.

Research and Development

We are deeply committed to research and development as a means to extend our reach to new production frontiers and achieve continuous improvement in operations. We have a history of successfully developing and implementing innovative technologies, including the means to drill, complete and produce wells in increasingly deep water. We are one of the largest investors in research and development among the world's major oil companies, and we spend a large percentage of revenues in research and development. Our Brazilian oil and gas concession agreements require us to spend at least 1% of our gross revenues originating from high productivity oil fields on research and development, of which up to half is invested in our research facilities in Brazil and the remainder is invested in research and development in Brazilian universities and institutions registered with the ANP for this purpose.

In 2011, we spent U.S.\$1,454 million on research and development, equivalent to 1.0% of our sales revenues. In 2010, we spent U.S.\$989 million on research and development, equivalent to 0.8% of our sales revenues. In 2009, we spent U.S.\$685 million on research and development, equivalent to 0.7% of our sales revenues.

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Our research and development activities focus on three main goals:

- expansion of our current businesses through the following: (a) discovery of new exploratory frontiers; (b) enhancement of oil and gas final recovery; (c) understanding and development of complex reservoirs, including pre-salt rocks; (d) development of new or enhanced subsea production systems and equipment for deep and ultra deep waters; (e) optimization of our drilling, production and logistics solutions for the pre-salt reservoirs; (f) development of new alternatives for offshore natural gas transportation; (g) optimization and reliability improvement of our industrial facilities; and (h) development and implementation of technologies in our refineries to enhance the flexibility to produce middle distillates, kerosene or gasoline, according to changing market demand;
- providing a mix of products compatible with the energy demands of the future through the following: (a) development of new fuel, lubricants and special product formulations; (b) development of new technologies for our petrochemical and gaschemical activities; (c) adaptation of our refining processes to utilize vegetable oils as feedstock; (d) development of second generation biofuel production processes, which use residual biomass as feedstock; and (e) research and development of renewable energy technologies; and
- ensuring that our activities are environmentally sustainable. We aim throughout our entire business to: (a) reduce our water consumption and the volume and toxicity of our wastewater discharges; (b) reduce our emissions of air pollutants, CO₂ and other greenhouse gases; and (c) increase the energy efficiency of our processes and products.

In the three-year period ended December 31, 2011, our research and development operations were awarded 52 patents in Brazil and 128 overseas. Our portfolio of patents covers all of our areas of activities.

We have operated a dedicated research and development facility in Rio de Janeiro, Brazil since 1966. As a result of its expansion in 2010, this is one of the largest facilities of its kind in the energy sector and the largest in the southern hemisphere, with laboratories especially dedicated to pre-salt technologies. As of December 31, 2011, this facility has 1,814 employees, 1,656 of which are exclusively dedicated to research, development and basic engineering.

We also have several semi-industrial scale prototype plants throughout Brazil that are in proximity to our industrial facilities and that are aimed at scaling up new industrial technologies at reduced costs. In 2011, we conducted research and development through joint research projects with more than 100 universities and research centers in Brazil and abroad and participated in technology exchange and assistance partnerships with several oilfield service companies, small technology companies and other operators. As a result of these efforts, a number of our key suppliers have built or started building technology centers in Brazil in 2011 in order to develop technological solutions applicable to our business segments.

PifCo does not itself conduct research and development.

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Trends

We plan to continue expanding all segments of operations in our target markets in accordance with our 2011-2015 Business Plan. In support of this goal we plan total capital expenditures of U.S.\$224.7 billion over 2011-2015. Of this total, 57% is in the exploration and production segment, where constant investment in exploration and development is needed to exploit newly discovered resources and offset natural declines in production from existing fields as they mature. Based on our slate of development projects, we expect to increase production by 9.2% annually over the period 2011 to 2015 while replacing our reserves through organic growth.

We expect that the demand for oil products in Brazil will continue to increase rapidly driven primarily by economic growth. In 2011, we met this incremental growth in demand by increasing imports as our refining capacity was not sufficient to meet the increased demand. This increase in imports increased our cost of sales and decreased our margins in 2011. We expect this trend to continue in the near future as we anticipate that Brazilian demand will grow at a faster pace than our refining capacity.

The price we realize for the oil we produce is determined by international oil prices, although we generally sell our oil at a discount to Brent and other light oil benchmark prices because it is heavier and thus more expensive to refine. In 2011, oil price trends were affected by political unrest in the Middle East and in North Africa as well as by fluctuations in macroeconomic conditions, primarily in Europe. The Brent benchmark price experienced greater volatility in 2011 as compared to 2010, with a minimum price of U.S.\$92.98/bbl, a maximum price of U.S.\$126.74/bbl and an average price of U.S.\$111.05/bbl, the highest nominal Brent average price recorded to date. The economic outlook and continuing political turmoil in the Middle East and in North Africa will remain the key determinants of oil price trends in the short term. A fast-paced recovery coupled with slow supply-side response can result in higher prices in the medium term. On the other hand, if economic recovery expectations are not met, especially those regarding non-OECD economies, oil prices may drop below current levels. In addition, recent geopolitical concerns may persist, potentially driving prices higher in the short term.

For the 2011 to 2015 period, we plan to continue to focus on increasing our refining throughput and our capacity to refine heavier crudes. The refining expansion program currently underway may improve our refining margins, since the new refineries will be able to process a heavier crude slate with lower costs while having a higher yield of middle distillate products (primarily of diesel and jet fuel) with higher potential demand and growth margins.

Each year, we review and revise our long-term Business Plan in order to adapt to changing market conditions and to revise our investment levels in accordance with updated scenarios and projected cash flows. The guidance provided by our board of directors is instrumental in this review process. For the 2011-2015 period, we have retained the targets for our net-debt-to-equity ratio in the range of 25% to 35% and for our net-debt-to-EBITDA ratio is not to exceed 2.5:1.

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Item 6. Directors, Senior Management and Employees

Directors and Senior Management

Directors of Petrobras

Our board of directors is composed of a minimum of five and up to ten members and is responsible for, among other things, establishing our general business policies. The members of the board of directors are elected at the annual general meeting of shareholders, including the employee representative previously selected by means of a separate voting procedure.

Under Brazilian Corporate Law, shareholders representing at least 10% of the company's voting capital have the right to demand that a cumulative voting procedure be adopted to entitle each common share to as many votes as there are board members and to give each common share the right to vote cumulatively for only one candidate or to distribute its votes among several candidates. Pursuant to regulations promulgated by the Securities and Exchange Commission of Brazil – CVM, the 10% threshold requirement for the exercise of cumulative voting procedures may be reduced. Specifically, pursuant to Law No. 12,353 and Act No. 026, an employee representative chosen by our active employees must be a member of our board of directors.

Furthermore, our bylaws enable (i) minority preferred shareholders that together hold at least 10% of the total capital stock (excluding the controlling shareholders) to elect and remove one member to our board of directors; (ii) minority common shareholders to elect one member to our board of directors, if a greater number of directors is not elected by such minority shareholders by means of the cumulative voting procedure; and (iii) our employees to elect one member to our board of directors by means of a separate voting procedure. Our bylaws provide that, regardless of the rights above granted to minority shareholders, the Brazilian federal government always has the right to elect the majority of our directors, independently of their number. In addition, under Law 10,683, dated May 28, 2003, one of the board members elected by the Brazilian federal government must be indicated by the Minister of Planning, Budget and Management. The maximum term for a director is one year, but re-election is permitted. In accordance with the Brazilian Corporate Law, the shareholders may remove any director from office at any time with or without cause at an extraordinary meeting of shareholders. Following an election of board members under the cumulative vote procedure, the removal of any board member by an extraordinary meeting of shareholders will result in the removal of all the other members, after which new elections must be held.

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We currently have ten directors. The following table sets forth certain information with respect to these directors:

Name	Date of Birth	Position	Current Term Expires	Business Address
Guido Mantega(1)	April 7, 1949	Chair	April 2012	Esplanada dos Ministérios – Bloco P 5º andar Brasília – DF Cep 70.048-900
Maria das Graças Silva Foster(1)	August 26, 1953	Director	March 2013	Avenida República do Chile, no. 65 23º andar Rio de Janeiro – RJ Cep 20.031-912
Francisco Roberto de Albuquerque(1)	May 17, 1937	Director	March 2013	Alameda Carolina, no. 594 Itú – SP Cep 13.306-410
Josué Christiano Gomes da Silva(2)	December 25, 1963	Director	March 2013	Avenida Paulista, no. 1.754 2º Sobreloja São Paulo – SP Cep 01.310-920
Jorge Gerdau Johannpeter(3)	December 8, 1936	Director	March 2013	Av. Farrapos, no. 1.811 Porto Alegre – RS Cep 90.220-005
Luciano Galvão Coutinho(1)	September 29, 1946	Director	March 2013	Av. República do Chile, no. 100 22º andar Rio de Janeiro – RJ Cep 20.031-917
Sergio Franklin Quintella(1)	February 21, 1935	Director	March 2013	Praia de Botafogo, no. 190 12º andar Rio de Janeiro – RJ Cep 22.250-900
Márcio Pereira Zimmermann(1)	July 1, 1956	Director	March 2013	Esplanada dos Ministérios – Bloco U Sala 705 Brasília – DF Cep 70.065-900
Miriam Aparecida Belchior(1)	February 5, 1958	Director	March 2013	Esplanada dos Ministérios – Bloco K 7º andar Brasília – DF Cep 70.040-906
Sílvio Sinedino Pinheiro (4)	June 25, 1951	Director	March 2013	Avenida República do Chile, no. 330 12º andar Rio de Janeiro – RJ Cep 20.031-170

- (1) Appointed by the controlling shareholder.
(2) Appointed by the minority common shareholders.
(3) Appointed by the minority preferred shareholders.
(4) Appointed by our employees.

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Guido Mantega—Mr. Mantega has been our Chairman of the board of directors since March 19, 2010 after being a member of this board since April 3, 2006. He is also a member of the board of directors of Petrobras Distribuidora S.A.—BR. Mr. Mantega was a member of the Remuneration and Succession Committee of our board of directors from October 15, 2007 to April 30, 2010. Mr. Mantega has been Brazil’s Minister of Finance since March 28, 2006, and he served as chairperson of the Group of 20 Finance Ministers and Central Bank Governors (G-20) in 2008. He is a member of the Conselho de Desenvolvimento Econômico e Social—CDES (Economic and Social Development Council), an advisory body to the Brazilian federal government. Mr. Mantega has also held the posts of Brazil’s Minister of Planning, Budget and Management and of president of the Banco Nacional de Desenvolvimento Econômico e Social—BNDES (Brazilian Development Bank). He received a bachelor’s degree in economics from the Escola de Economia, Administração e Contabilidade—FEA (School of Economy, Administration and Accounting) at the Universidade de São Paulo—USP (University of São Paulo) in 1971, and a Ph.D. in development sociology from the Faculdade de Filosofia, Letras e Ciências Humanas—FFLCH (School of Philosophy, Literature and Human Sciences) at USP, and completed specialized studies at the Institute of Development Studies—IDS at the University of Sussex, England in 1977.

Maria das Graças Silva Foster—Ms. Foster has been our Chief Executive Officer since February 13, 2012. She is also a member of our board of directors, the board of directors of Petrobras Distribuidora S.A. – BR and the board of directors of Petrobras Biocombustível S.A. – PBIO. Ms. Foster is chairwoman of the boards of directors of Petrobras Transporte S.A. – TRANSPETRO and Petrobras Gás S.A. – GASPETRO. She holds a degree in chemical engineering from the Universidade Federal Fluminense – UFF (Fluminense Federal University), a master’s degree in nuclear and chemical engineering from the Universidade Federal do Rio de Janeiro – UFRJ (Federal University of Rio de Janeiro) and an MBA in economics from the Fundação Getúlio Vargas – FGV (Getulio Vargas Foundation).

Francisco Roberto de Albuquerque—Mr. de Albuquerque has been a member of our board of directors since April 2, 2007, and he is also a member of the board of directors of Petrobras Distribuidora S.A.—BR. He has been a member of the Audit Committee and the Remuneration and Succession Committee of our board of directors since April 13, 2007, and October 15, 2007, respectively. He earned a bachelor’s degree in military sciences from the Academia Militar das Agulhas Negras—AMAN (Agulhas Negras Military Academy) in Resende, in the State of Rio de Janeiro, in 1958 and in economics from the Faculdade de Ciências Econômicas de São Paulo (São Paulo College of Economic Sciences) at Fundação Álvares Penteado (Álvares Penteado Foundation) in 1968, a master’s degree in military sciences from the Escola de Aperfeiçoamento de Oficiais—EsAO (Advanced Military School) in 1969, and a Ph.D. in military sciences from the Escola de Comando e Estado-Maior do Exército—ECEME (Military Officer Training School) in Rio de Janeiro in 1977.

Josué Christiano Gomes da Silva—Mr. Josué Gomes has been a member of our board of directors since October 28, 2011, a member of its Audit Committee since November 11, 2011, and a member of the board of directors of Petrobras Distribuidora S.A.—BR. Currently, he is the Chairman and Chief Executive Officer of Companhia de Tecidos Norte de Minas—Coteminas, Latin America’s largest textile group. He is also the founder and Chairman of the Board of Cantagalo General Grains S.A., Co-Chair of the Brazil – United States CEOs Forum, Coordinator of Ação Empresarial (Business Action) and a board member of Embraer and the Instituto de Estudos para o Desenvolvimento Industrial—IEDI (Institute of Industrial Development Studies). He received a bachelor’s degree in civil engineering from the Universidade Federal de Minas Gerais (Federal University of Minas Gerais), a law degree from Faculdades Milton Campos (Milton Campos Faculties) and a master’s degree in business administration from Vanderbilt University, where he received the Founder’s Medal in recognition of his academic achievement.

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Jorge Gerdau Johannpeter—Mr. Johannpeter has been a member of our board of directors since October 19, 2001, and is also a member of the board of directors of Petrobras Distribuidora S.A.—BR. He was appointed a member of the Remuneration and Succession Committee of our board of directors on October 15, 2007 and a member of the Environment Committee on December 22, 2011. Mr. Johannpeter is the Chairman of the board of directors of Gerdau, a member of the board of directors of the Instituto Aço Brasil—IABr (Brazilian Steel Institute), a member of the Conselho de Desenvolvimento Econômico e Social—CDES (Economic and Social Development Council) and a member of the board of directors of the World Steel Association. Mr. Johannpeter is involved in Brazil's non-profit sector as president of the board of the Programa Gaúcho da Qualidade e Produtividade—PGQP (State Program for Quality and Productivity in Rio Grande do Sul), leader of the Movimento Brazil Competitivo—MBC (Movement for Brazilian Competitiveness), member of the deliberative council of Parceiros Voluntários (Volunteer Partners) and coordinator of Ação Empresarial (Business Action). He is also the Chairman of the Câmara de Políticas de Gestão, Desempenho e Competitividade (Chamber of Management, Performance and Competitiveness Policies) of the Brazilian Government. He received a bachelor's degree in law and social sciences from the Universidade Federal do Rio Grande do Sul—UFRGS (Federal University of Rio Grande do Sul), Porto Alegre, in 1961.

Luciano Galvão Coutinho—Mr. Coutinho has been a member of our board of directors since April 4, 2008, and is also a member of the board of directors of Petrobras Distribuidora S.A.—BR. He has been the President of the Banco Nacional de Desenvolvimento Econômico e Social—BNDES (Brazilian Development Bank) since April 27, 2007. In addition, Mr. Coutinho is a member of the board of directors of Vale S.A., a member of the Curator Committee for the Fundação Nacional da Qualidade—FNQ (Brazilian Quality Foundation), and the BNDES representative at the Fundo Nacional de Desenvolvimento Científico e Tecnológico—FNDCT (Brazilian Fund for Scientific and Technological Development). Mr. Coutinho has a Ph.D. in economics from Cornell University, a master's degree in economics from the Fundação Instituto de Pesquisas Econômicas—Fipe (Institute of Economic Research) at the Universidade de São Paulo—USP (University of São Paulo), and a bachelor's degree in economics from USP.

Sergio Franklin Quintella—Mr. Quintella has been a member of our board of directors since April 8, 2009, and is also a member of the board of directors of Petrobras Distribuidora S.A.—BR. He has been a member of the Audit Committee of our board of directors since November 13, 2009 and was appointed its president on November 11, 2011. He is vice president of Fundação Getúlio Vargas—FGV. He was member of the board of directors of the Banco Nacional de Desenvolvimento Econômico e Social—BNDES (Brazilian Development Bank) from 1975 to 1980, member of the National Monetary Council from 1985 to 1990, and president of the Tribunal de Contas (Court of Auditors) of the State of Rio de Janeiro from 1993 to 2005. Mr. Quintella holds a bachelor's degree in civil engineering from the Pontifícia Universidade Católica do Rio de Janeiro—PUC-Rio (Pontifical Catholic University of Rio de Janeiro), a bachelor's degree in economics from the Faculdade de Economia do Rio de Janeiro (College of Economics of Rio de Janeiro) and a post-graduate degree in economic engineering from the Escola Nacional de Engenharia (National Engineering School). He also holds a master's degree in business from IPSOA Institute, in Turin, Italy and graduated from the Advanced Management Program at Harvard Business School. Mr. Quintella is currently a member of the council of PUC-Rio.

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Márcio Pereira Zimmermann—Mr. Zimmermann has been a member of our board of directors since March 22, 2010 and is also a member of the board of directors of Petrobras Distribuidora S.A. – BR. He has been the President of the Remuneration and Succession Committee of our board of directors since April 29, 2010. Mr. Zimmermann is currently the Executive Secretary (Deputy Minister) of the Ministry of Mines and Energy—MME, where he previously served as Minister, Executive Secretary and Secretary for Energy Planning and Development. Mr. Zimmermann is also the Chairman of the board of directors of Centrais Elétricas Brasileiras—Eletrobrás, where he previously served as the Engineering Executive Officer, and the Chairman of the board of directors of Furnas Centrais Elétricas S.A. He has been a member of the Conselho Nacional de Política Energética—CNPE (National Council for Energy Policy) since February 2009. He was also the Energy Production and Commercialization Executive Officer and Technical Executive Officer of Eletrosul Centrais Elétricas S.A., and the Research and Development Executive Officer of Centro de Pesquisas de Energia Elétrica—CEPEL (Electrical Energy Research Center). Mr. Zimmermann holds a bachelor's degree in electric engineering from the Pontifícia Universidade Católica do Rio Grande do Sul – PUC-RS (Pontifical Catholic University of Rio Grande do Sul), a post-graduate degree in power systems engineering from the Universidade Federal de Itajubá – UNIFEI (Federal University of Itajubá), and a master's degree in electrical engineering from the Pontifícia Universidade Católica do Rio de Janeiro – PUC-Rio (Pontifical Catholic University of Rio de Janeiro).

Miriam Aparecida Belchior—Ms. Belchior has been a member of our board of directors since July 22, 2011, and is also a member of the board of directors of Petrobras Distribuidora S.A.—BR. She was appointed as a member of the Environment Committee of our board of directors on December 22, 2011. Since January 1, 2011, she has been State Minister of Planning, Budget and Management. From 2002 to 2010, she was the Articulation and Monitoring Sub-head of the Deputy Chief of Staff, responsible for connecting government actions and monitoring strategic projects. In 2007, she served as Executive Secretary for the Programa de Aceleração do Crescimento—PAC (Growth Acceleration Program) and became its General Coordinator in April 2010. Ms. Belchior is an engineer and holds a master's degree in public administration and government from the Fundação Getulio Vargas-SP (Getulio Vargas Foundation). She served as a professor with the Fundação para Pesquisa e Desenvolvimento da Administração, Contabilidade e Economia—FUNDACE (Foundation for Research and Development of Administration, Accounting and Economics) and the Universidade de São Marcos (University of São Marcos).

Sílvio Sinedino Pinheiro—Mr. Sinedino has been a member of our board of directors since March 20, 2012, and is the representative of our employees. He is currently the chair of the Audit Committee of Petros, to which he was elected in 2009. He is also the current president of AEPET - Associação dos Engenheiros da Petrobras (Petrobras Association of Engineers). From 2002 to 2005, he was a director of Sindicato dos Petroleiros do Estado do Rio de Janeiro—Sindipetro-RJ (Oil Workers' Union of the State of Rio de Janeiro). He is a systems analyst at Petrobras and develops seismic processing software for our E&P segment. Mr. Sinedino holds a bachelor's degree in electrical engineering from the Pontifícia Universidade Católica do Rio de Janeiro—PUC-Rio (Pontifical Catholic University of Rio de Janeiro) as well as master's degrees in computer science and in business administration, both from the Instituto Alberto Luiz Coimbra de Pós-Graduação e Pesquisa em Engenharia—COPPE/UFRJ (the Alberto Luiz Coimbra Institute of Post-Graduate Studies and Research in Engineering of the Federal University of Rio de Janeiro).

Directors of PifCo

PifCo is managed by a board of directors, consisting of three members, and by its executive officers. The board of directors is responsible for preparing PifCo's year-end accounts, convening the shareholder's meetings and reviewing and monitoring its financial performance and strategy. Although not required by PifCo's memorandum and articles of association, it is PifCo's policy that the Chairman and all of its executive officers be Petrobras employees.

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PifCo's directors serve indefinite terms and can be removed with or without cause. The following table sets forth certain information about PifCo's board of directors:

Name	Date of Birth	Position	Year of Appointment
Daniel Lima de Oliveira	December 29, 1951	Chairman	2005
Marcos Antonio Silva Menezes	March 24, 1952	Director	2003
José Raimundo Brandão Pereira	October 27, 1956	Director	2008

Daniel Lima de Oliveira—Mr. Lima de Oliveira has been PifCo's Chairman and Chief Executive Officer since September 1, 2005. From September 1, 2005 to March 31, 2006, Mr. Lima de Oliveira served as Petrobras' Executive Manager of Corporate Finance, and thereafter, as Executive Manager of Financial Administration and Compliance. Since March 25, 2004, he has been a member of the board of directors of REFAP S.A. He has also been a member of the board of directors of Petrobras Argentina S.A.—PESA since April 28, 2006. From September 1, 2005 to June 15, 2006, Mr. Lima de Oliveira was a director of Petrobras Netherlands BV—PNBV and thereafter has been a member of its supervisory board. From January 2003 to August 2005, Mr. Lima de Oliveira was a director of Petrobras International Braspetro BV—PIB BV and Braspetro Oil Services Company—Brasoil. He graduated in mechanical engineering from Escola de Engenharia Industrial de São José dos Campos (São José dos Campos Industrial Engineering School) in 1975.

Marcos Antonio Silva Menezes—Mr. Menezes has been a director of PifCo since 2003, and has served as Chief Accountant Officer of Petrobras since 1998. He was the chairman of the fiscal council and the audit committee of Braskem S.A. during the years 2010 and 2011. He has been a member of the fiscal council of Instituto Brasileiro de Petróleo, Gás e Biocombustíveis—IBP (Brazilian Institute of Petroleum, Gas and Biofuels) and of the fiscal council of Organização Nacional das Indústrias de Petróleo—ONIP (National Organization of the Petroleum Industry). He is also a member of Associação Nacional de Executivos de Finanças, Administração e Contabilidade—ANEFAC and of the Associação Brasileira de Companhias Abertas—ABRASCA and its Auditing and Accounting Rules Commission—CANC. Mr. Menezes holds a bachelor's degree in accounting and business management from Faculdade Moraes Júnior in Rio de Janeiro (Moraes Júnior University), a post-graduate degree in financial management from Fundação Getúlio Vargas (Getulio Vargas Foundation), and has completed an advanced management program (PGA) at Fundação Dom Cabral/INSEAD—France (Dom Cabral Foundation/European Institute of Business Administration).

José Raimundo Brandão Pereira—Mr. Pereira has been a PifCo director, and has served as PifCo's Executive Manager of Marketing and Trading since June 2008. Mr. Pereira has also been a director of Petrobras International Braspetro B.V. (PIB BV) since September 2008, a member of the board of directors of Petrobras Argentina S.A. (PESA) since March 2009 and director of Petrobras Global Trading BV since November 2010. Mr. Pereira graduated in civil engineering from the Universidade Estadual de Maranhão (State University of Maranhão) in 1979.

Executive Officers of Petrobras

Our board of executive officers, composed of the Chief Executive Officer (CEO) and seven executive officers, is responsible for our day-to-day management. Our executive officers are Brazilian nationals and reside in Brazil. Under our bylaws, the board of directors elects the executive officers, including the CEO, and must consider personal qualification, knowledge and specialization in electing executive officers to their respective areas. The maximum term for our executive officers is three years, but re-election is permitted. The board of directors may remove any executive officer from office at any time with or without cause. Seven of our current executive officers are experienced Petrobras career managers, engineers or technicians.

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The following table sets forth certain information with respect to our executive officers:

Name	Date of Birth	Position	Current Term
Maria das Graças Silva Foster	August 26, 1953	Chief Executive Officer	April 2014
Almir Guilherme Barbassa	May 19, 1947	Chief Financial Officer and Chief Investor Relations Officer	April 2014
Renato de Souza Duque	September 29, 1955	Chief Engineering, Technology and Procurement Officer	April 2014
José Miranda Formigli Filho	March 30, 1960	Chief Exploration and Production Officer	April 2014
Paulo Roberto Costa	January 1, 1954	Chief Downstream Officer	April 2014
José Alcides Santoro Martins	August 28, 1954	Chief Gas and Power Officer	April 2014
Jorge Luiz Zelada	January 20, 1957	Chief International Officer	April 2014
José Eduardo de Barros Dutra	April 11, 1957	Chief Corporate and Services Officer	April 2014

Maria das Graças Silva Foster—Ms. Foster has been our Chief Executive Officer since February 13, 2012. For biographical information regarding Ms. Foster, see “—Directors of Petrobras.”

Almir Guilherme Barbassa—Mr. Barbassa has been our Chief Financial Officer and Chief Investor Relations Officer since July 22, 2005. Mr. Barbassa joined Petrobras in 1974 and has worked in several financial and planning capacities, both in Brazil and abroad. Mr. Barbassa has served as Petrobras’ corporate finance and treasury manager, and he has also served at various times as financial manager and chairman of Petrobras subsidiaries that carry out international financial activities. Mr. Barbassa is also a member of the board of directors of Braskem S.A. In addition, he was an economics professor at Universidade Católica de Petrópolis (Petrópolis Catholic University) and Faculdades Integradas Bennett (Bennett University) from 1973 to 1979. Mr. Barbassa holds a master’s degree in economics from the Fundação Getúlio Vargas (Getulio Vargas Foundation).

Renato de Souza Duque—Mr. Duque has been our Chief Services Officer since January 31, 2003. Currently, Mr. Duque is a member of the board of directors of Petrobras Gás S.A.—Gaspetro and Chief Executive Officer of Petrobras Negócios Eletrônicos S.A. Mr. Duque holds a degree in electrical engineering from the Universidade Federal Fluminense (Fluminense Federal University) and an MBA from the Universidade Federal do Rio de Janeiro (Federal University of Rio de Janeiro).

José Miranda Formigli Filho—Mr. Formigli Filho has been our Chief Exploration and Production Officer since February 2012. Mr. Formigli Filho graduated in civil engineering from the Instituto Militar de Engenharia—IME, with a specialization in petroleum engineering and has an MBA in advanced business management from the Universidade Federal do Rio de Janeiro—COPPEAD. He is a member of the Society of Petroleum Engineers (SPE) and the Society for Underwater Technology (SUT). In Petrobras’ E&P segment, he has managed offshore activities and has been the Production Manager of the Campos Basin, Marlim Field Asset Manager, Services Executive Manager and Production Engineering Executive Manager. From May 2008 through January 2012, Mr. Formigli Filho was the Executive Manager of Pre-Salt Development.

Paulo Roberto Costa—Mr. Paulo Roberto Costa has been our Chief Downstream Officer since May 14, 2004. Mr. Paulo Roberto Costa graduated in mechanical engineering from the Universidade Federal do Paraná (Federal University of Paraná) in 1976. Mr. Costa joined Petrobras in 1977 and worked for a long period in our exploration and production activities. Mr. Costa is chairman of the boards of directors of Refinaria Alberto Pasqualini—REFAP, Refinaria Abreu e Lima S.A.—RENEST and Complexo Petroquímico do Rio de Janeiro—COMPERJ. Mr. Costa is also member of the boards of directors of Petrobras Biocombustíveis S.A.—PBIO, Petrobras Transportes S.A.—TRANSPETRO and Braskem S.A.

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José Alcides Santoro Martins—Mr. Santoro Martins has been our Chief Gas and Power Officer since February 2012. Mr. Santoro Martins holds a bachelor's degree in civil engineering from the University of São Paulo—USP, a degree in geotechnics from PUC/Rio, and also a degree in energy systems planning from Unicamp. He has been at Petrobras for 32 years and has held various management positions, as well as being a board member of different subsidiaries of the Company. He also serves as Managing Director of Termobahia S.A., Termoceará Ltda. and Termomacaé Ltda., in addition to being the Administrative Officer of Sociedade Fluminense de Energia Ltda. Mr. Santoro is the Chairman of the Board of Brasil PCH S.A., a Full Member of the Board of Directors of Termoelétrica Potiguar S.A. and Chairman of the Board of Arembepe Energia S.A. He was also Technology Director at the Center for Gas & Renewable Energy Technology—CTGAS-ER from February 2004 to May 2005 and Director for Oil, Gas and Biofuels at the Energy Research Company—(Empresa de Pesquisa Energética, EPE) from May 2005 to June 2006.

Jorge Luiz Zelada—Mr. Zelada has been our Chief International Officer since March 3, 2008. Mr. Zelada received a degree in electrical engineering from the Universidade Federal do Rio de Janeiro (Federal University of Rio de Janeiro) in 1979 and an MBA from IBMEC/Rio de Janeiro (Brazilian Institute of Capital Markets/Rio de Janeiro) in 2000.

José Eduardo de Barros Dutra—Mr. Dutra has been our Chief Corporate and Services Officer since March 1, 2012. Mr. Dutra received a degree in geology from the Universidade Federal Rural do Rio de Janeiro (Federal Rural University of Rio de Janeiro) in 1979. In 1994, he was elected Senator of the Republic with a mandate from 1995 to 2002. He was the CEO of Petrobras from January 2003 to July 2005, and held the post of Director of Petrobras and Director of Petrobras Distribuidora S.A.. He was CEO of Petrobras Distribuidora S.A. – BR from September 2007 to August 2009, and also worked as a geologist at Petrobras Mineração S.A. – Petromisa from 1983 to 1990 and at Vale from 1990 to 1994. In addition, Mr. José Eduardo was chairman of the Board of Directors of Petrobras Gás S.A. – Gaspetro, Petrobras Transporte S.A. – Transpetro, Petrobras Química S.A. – Petroquisa, Petrobras Energia S.A. – Pesa and Liquigás Distribuidora S.A.

Executive Officers of PifCo

All of the current executive officers are experienced managers from Petrobras, some of whom have served on the boards of directors of Petrobras subsidiaries and in representative offices abroad. The executive officers work as a board and are responsible for PifCo's day-to-day management. PifCo's executive officers serve indefinite terms and can be removed with or without cause.

The following table sets forth certain information about PifCo's executive officers:

Name	Date of Birth	Position	Year of Appointment
Daniel Lima de Oliveira	December 29, 1951	Chief Executive Officer	2009
Sérvio Túlio da Rosa Tinoco	June 21, 1955	Chief Financial Officer	2011
Paulo José Alves	April 17, 1965	Chief Accounting Officer	2011
Nilton Antonio de Almeida Maia	June 21, 1957	Chief Legal Officer	2000
Gerson Luiz Gonçalves	September 29, 1953	Chief Audit Officer	2000
Juarez Vaz Wassersten	August 26, 1954	Chief Businesses Officer	2010

Daniel Lima de Oliveira—Mr. Lima de Oliveira has served as PifCo's Chief Executive Officer since September 1, 2005. For biographical information regarding Mr. Lima de Oliveira, see “—Directors of PifCo.”

Sérvio Túlio da Rosa Tinoco—Mr. Tinoco has been PifCo's Chief Financial Officer since September 1, 2005. Mr. Tinoco holds a bachelor's degree in economics from Universidade Oswaldo Cruz, São Paulo (Oswaldo Cruz University) (1978), and had an MBA from the Fundação Getúlio Vargas, São Paulo (Getulio Vargas Foundation) (1983) partially completed with one year at the Institut Supérieur des Affaires—ISA/HEC, France (Institute of Superior Affairs—ISA/HEC).

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Paulo José Alves—Mr. Alves has served as PifCo's Chief Accounting Officer since 2011, and has been our General Manager of Corporate Accounting since 2011. Mr. Alves has a bachelor's degree in accounting from Universidade Estadual do Rio de Janeiro (State University of Rio de Janeiro) and an executive MBA from the Universidade Federal do Rio de Janeiro (Federal University of Rio de Janeiro) as well as an MBA in accounting from Universidade de São Paulo (University of São Paulo). He has also participated in several management courses at the London Management Centre and has been a member of fiscal councils of several companies since 2005, such as Metanor, CEG Rio and Transpetro.

Nilton Antonio de Almeida Maia—Mr. Maia has served as PifCo's Chief Legal Officer since April 19, 2000. Mr. Maia also currently serves as General Counsel for Petrobras. He has completed post-graduate degrees in law, with specializations in energy and tax law, from the Universidade Estácio de Sá (Estácio de Sá University).

Gerson Luiz Gonçalves—Mr. Gonçalves has been PifCo's Chief Audit Officer since April 19, 2000 and Petrobras' Executive Manager of Internal Auditing since December 1, 1994. Mr. Gonçalves is a member of the Brazilian Institute of Internal Auditors (AUDIBRA) and the International Institute of Internal Auditors (IIA). He received a bachelor's degree in accounting from the Universidade de São Paulo (University of São Paulo) in 1975.

Juarez Vaz Wassersten—Mr. Wassersten has been PifCo's Chief Businesses Officer since January 2009. Mr. Wassersten holds a bachelor's degree in production engineering from Universidade Federal do Rio de Janeiro (Federal University of Rio de Janeiro) and a master's degree in economics from Universidade Cândido Mendes (Cândido Mendes University).

Compensation

Petrobras

For 2011, the aggregate amount of compensation we paid to all members of the board of directors and executive officers was approximately U.S.\$6.7 million.

In addition, the members of the board and the executive officers receive certain additional benefits generally provided to our employees and their families, such as medical assistance, payment of educational expenses and supplementary social security benefits.

We have no service contracts with our directors providing for benefits upon termination of employment. We have a remuneration and succession committee in the form of an advisory committee. See “—Other Advisory Committees.”

PifCo

PifCo's directors and executive officers are paid by Petrobras in respect of their function as Petrobras' employees, but they do not receive any additional compensation, pension or other benefits from PifCo or Petrobras in respect of their functions as PifCo directors or executive officers, as the case may be.

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Share Ownership

Petrobras

As of February 29, 2012, the members of our board of directors, our executive officers, the members of our Fiscal Council, and close members of their families, as a group, beneficially held a total of 27,634 common shares and 145,260 preferred shares of our company. Accordingly, on an individual basis, and as a group, our directors, executive officers, Fiscal Council members, and close members of their families beneficially owned less than one percent of any class of our shares. The shares held by our directors, executive officers, Fiscal Council members, and close members of their families have the same voting rights as the shares of the same type and class that are held by our other shareholders. None of our directors, executive officers, Fiscal Council members, or close members of their families holds any options to purchase common shares or preferred shares. Petrobras does not have a stock option plan for its directors, officers or employees.

PifCo

As of December 31, 2011, PifCo's authorized share capital was composed of 300,050,000 shares at par value of U.S.\$1.00 per share, all of which are issued and outstanding. All of PifCo's issued and outstanding shares of common stock are owned by us.

Fiscal Council

We have a permanent Fiscal Council (*Conselho Fiscal*) in accordance with applicable provisions of the Brazilian Corporate Law, composed of up to five members. As required by the Brazilian Corporate Law our Fiscal Council is independent of our management and external auditors. The Fiscal Council's responsibilities include, among others: (i) monitoring management's activities and (ii) reviewing our annual report and financial statements. The members and their respective alternates are elected by the shareholders at the annual general shareholder's meeting. Holders of preferred shares without voting rights and minority common shareholders are each entitled, as a class, to elect one member and his respective alternate to the Fiscal Council. The Brazilian federal government has the right to appoint the majority of the members of the Fiscal Council and their alternates. One of these members and his respective alternate are appointed by the Minister of Finance representing the Brazilian Treasury. The members of the Fiscal Council are elected at our annual general shareholders' meeting for a one-year term and re-election is permitted.

The following table lists the current members of the Fiscal Council:

<u>Name</u>	<u>Year of First Appointment</u>
Marcus Pereira Aucélio	2005
César Acosta Rech	2008
Marisete Fátima Dadald Pereira	2011
Nelson Rocha Augusto	2003
Maria Lúcia de Oliveira Falcón	2003

The following table lists the alternate members of the Fiscal Council:

<u>Name</u>	<u>Year of First Appointment</u>
Paulo Fontoura Valle	2010
Ricardo de Paula Monteiro	2008
Edson Freitas de Oliveira	2002
Maria Auxiliadora Alves da Silva	2003
Celso Barreto Neto	2002

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Petrobras Audit Committee

We have an Audit Committee that advises our board of directors, composed exclusively of members of our board of directors.

On June 17, 2005, our board of directors approved the appointment of our Audit Committee to satisfy the audit committee requirements of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 under the Securities Exchange Act of 1934.

The Audit Committee is responsible for, among other things:

- making recommendations to our board of directors with respect to the appointment, compensation and retention of our independent auditor;
- assisting our board of directors with analysis of our financial statements and the effectiveness of our internal controls over financial reporting in consultation with internal and independent auditors;
- assisting in the resolution of conflicts between management and the independent auditor with respect to our financial statements;
- conducting an annual review of related party transactions involving interested members of our board of directors and executive officers and companies that employ any of these people, as well any other material transactions with related parties; and
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal control and auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

On December 16, 2005, our Audit Committee's charter was amended to meet the audit committee requirements of the Sarbanes-Oxley Act of 2002 and Rule 10A-3 under the Securities Exchange Act of 1934, including the incorporation of the powers mentioned above.

The current members of our Audit Committee are Francisco Roberto de Albuquerque, Sergio Franklin Quintella and Josué Christiano Gomes da Silva. All members of our Audit Committee are independent as defined in 17 CFR 240.10A-3.

Other Advisory Committees

We have implemented two additional advisory committees: the *Comitê de Remuneração e Sucessão* (Remuneration and Succession Committee) and the *Comitê de Meio Ambiente* (Environmental Committee).

Petrobras Ombudsman

The Petrobras General Ombudsman's Office has been an official part of our corporate structure since October 2005, when it became directly linked to the board of directors. The General Ombudsman's Office is the official channel for receiving and responding to denunciations and information regarding possible irregularities in accounting, internal controls and auditing. The General Ombudsman's Office reports directly to the Audit Committee and guarantees the anonymity of informants.

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In December 2007, the board of directors approved the Policies and Directives of the Petrobras Ombudsman, which was an important step in aligning the General Ombudsman's practices with those of the other ombudsmen in the system, contributing to better corporate governance. In April 2010, the board of directors approved a two-year term, which may be renewed once, for the Ombudsman Officer so as to ensure the officer's independence in performing his duties.

PifCo Advisory Committees

PifCo does not have any committees of its board of directors.

Employees and Labor Relations

We attract and retain valuable employees by offering competitive compensation and benefits, merit-based promotions and a profit-sharing plan. In accordance with Brazilian law, total profit-sharing payments to employees are limited to 25% of the amount of proposed dividends for the year.

We increased our employee numbers in 2011 due to the growth of our business.

The table below shows our employee numbers for the last three years:

	As of December 31,		
	2011	2010	2009
Petrobras employees:			
Parent company	58,950	57,498	55,802
Subsidiaries	15,453	15,101	13,150
Abroad	7,515	7,893	7,967
Total Petrobras Group	81,918	80,492	76,919
Parent company by level:			
High school	36,923	36,235	35,741
College	21,366	20,564	19,317
Maritime employees	661	699	744
Total parent company	58,950	57,498	55,802
Parent company by region:			
Southeastern Brazil	40,674	39,783	38,509
Northeastern Brazil	14,625	14,152	13,821
Other locations	3,651	3,563	3,472
Total parent company	58,950	57,498	55,802

The table below sets forth the main expenses related to our employees for the last three years:

	2011	2010	2009
	(U.S.\$ million)		
Salaries	8,069.4	6,814.0	5,115.2
Employee training	249.6	207.9	132.2
Profit-sharing distributions	931.6	960.7	748.7

We have had no major labor stoppages since 1995, and we consider our relations with our employees and the unions that represent our employees to be good. Forty-five percent of our employees are members of the Oil Workers' National Union and 44% of our maritime employees belong to the Maritime Employees' Union. We negotiate collective bargaining agreements annually with both unions. These agreements are composed of social clauses, which are valid for two years, and economic clauses, which are valid for one year. The latest agreements were signed in 2011 (with both economic and social clauses). Under these agreements, employees received a 7.23% cost of living increase, reflecting an adjustment for inflation in 2011 as measured by the Índice Nacional de Preços ao Consumidor Amplo

(IPCA); an additional 3.25% increase in the minimum pay scale; and a one-time payment of 100% of monthly remuneration.

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Knowledge Transfer Initiatives

We have undertaken several initiatives in order to ensure the sharing and dissemination of knowledge within the Company. The Mentor Project, in particular, aims to accelerate the transfer of knowledge between employees with more than 20 years of experience and those with up to 10 years of experience within the Company. In addition, the Succession Management Program seeks to preserve the continuity of Petrobras' leadership.

Talent Retention Initiatives

We have a talent retention program in place that seeks to retain and promote employees who are essential to business continuity, to the results of the Company, and who work on critical and strategic activities. This program also facilitates the sharing and dissemination of knowledge among our employees.

In 2011, the Junior Career Acceleration Program was implemented, which provided our junior employees with more attractive terms for career development and increased the competitiveness of the Company's initial remuneration package.

Pension and Health Care Plan

We sponsor a defined benefit pension plan, known as Petros, and a variable contribution pension plan, known as Petros-2, which together cover 94.95% of our employees. The principal objective of our pension plans has been to supplement the social security pension benefits of our employees. Employees that participate in the plans make mandatory monthly contributions. Our historical funding policy has been to make monthly contributions to the plans in the amount determined by actuarial appraisals. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The table below shows the benefits paid, contributions made, and outstanding Petros liabilities for 2011, 2010 and 2009:

	2011	2010	2009
	(U.S.\$ million)		
Total benefits paid	1,230	1,015	911
Total contributions	527	509	327
Petros liabilities(1)	2,697	2,878	2,414

(1) The excess of the actuarial value of our obligation to provide future benefits over the fair value of the plan assets used to satisfy that obligation. See Note 21 to our audited consolidated financial statements for the year ended December 31, 2011.

On August 9, 2002, the Petros Plan stopped admitting new participants and since 2003 we have been engaged in complex negotiations with representatives of the Oil Worker's National Union to address the deficits of the plan and develop a supplementary pension plan. We agreed to pay R\$5.8 billion updated retroactively to December 31, 2006 by the consumer price index (IPCA) plus 6% per year, which will be paid in semi-annual installments with interest of 6% per year on the balance for the next 20 years, as previously agreed during the renegotiation. We have also been subject to material legal proceedings in connection with the Petros Plan. In August 2007, we approved new regulations for the Petros Plan.

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On July 1, 2007, we implemented the Petros Plan 2, a variable contribution or mixed pension plan, for employees with no supplementary pension plan. A portion of this plan with defined benefits characteristics includes risk coverage for disability and death, a guaranty of a minimum benefit and a lifetime income, and the related actuarial commitments are recorded according to the projected credit unit method. The portion of the plan with defined contribution characteristics, earmarked for forming a reserve for programmed retirement, is recognized in the results for the year as the contributions are made. In 2011, the contribution of Petrobras and its subsidiaries to the defined contribution portion of this plan was U.S.\$253 million. The expenses and benefit obligations related to Petros Plan 2 were recorded according to ASC 715 Compensation – Retirement Benefits.

We maintain a health care benefit plan (AMS), which offers health benefits and covers all employees (active and inactive) together with their dependents. We manage the plan, with the employees contributing 28% of the total amount to cover principal risks and a portion of the costs relating to other types of coverage in accordance with participation tables defined by certain parameters, including salary levels.

Our commitment related to future benefits to plan participants is calculated on an annual basis by an independent actuary, based on the Projected Unit Credit method. The health care plan is not funded or otherwise collateralized by assets. Instead, we make benefit payments based on annual costs incurred by plan participants.

In addition, some of our consolidated subsidiaries have their own benefit plans.

PifCo

PifCo's personnel consist solely of our employees, and PifCo relies on us to provide all administrative functions. In May 2008, PifCo and Petrobras entered into an agreement to share costs and expenditures related to PifCo's use of Petrobras' administrative resources.

Item 7. Major Shareholders and Related Party Transactions

Major Shareholders

Petrobras

Our capital stock is composed of common shares and preferred shares, all without par value. On February 29, 2012, there were 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares. The ratio of our common and preferred shares to ADRs is two shares to one ADR. As of February 29, 2012, approximately 28.36% of our preferred shares and approximately 21.15% of our common shares were held of record in the United States directly or in the form of ADSs.

Under the Brazilian Corporate Law, as amended, the number of non-voting shares of our company may not exceed two-thirds of the total number of shares. The Brazilian federal government is required by law to own at least a majority of our voting stock and currently owns 50.24% of our common shares, which are our only voting shares. The Brazilian federal government does not have any special voting rights, other than the right to always elect a majority of our directors, irrespective of the rights our minority shareholders may have to elect directors, set forth in our bylaws.

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The following table sets forth information concerning the ownership of our common shares and preferred shares as of February 29, 2012, by the Brazilian federal government, certain public sector entities and our officers and directors as a group. We are not aware of any other shareholder owning more than 5% of our common shares.

Shareholder	Common Shares	%	Preferred Shares	%	Total Shares	%
Brazilian federal government	3,738,835,217	50.24	0	0.00	3,738,835,217	28.66
BNDES	448,001,218	6.02	2,433,460	0.04	450,434,678	3.45
BNDES Participaç�es S.A.—BNDESPar.	173,400,392	2.33	1,341,348,766	23.94	1,514,749,158	11.61
Other Brazilian public sector entities	2,356,316	0.03	683,010	0.01	3,039,326	0.02
All members of the board of directors and executive officers (16 persons)	27,634	0.00	145,260	0.00	172,894	0.00
Others	3,079,833,365	41.38	4,257,432,292	76.01	7,337,265,657	56.26
Total	7,442,454,142	100.00	5,602,042,788	100.00	13,044,496,930	100.00

PifCo

PifCo's directors and executive officers are paid by Petrobras in respect of their function as Petrobras' employees, but they do not receive any additional compensation, pension or other benefits from PifCo or Petrobras in respect of their functions as PifCo directors or executive officers, as the case may be.

Petrobras Related Party Transactions

Board of Directors

Direct transactions with interested members of our board of directors or our executive officers require the approval of our board of directors, and must follow the conditions of an arms-length transaction and market practices guiding transactions with third parties. None of the members of our board of directors, our executive officers or close members of their families has had any direct interest in any transaction we effected which is or was unusual in its nature or conditions or material to our business during the current or the three immediately preceding financial years or during any earlier financial year, which transaction remains in any way outstanding or unperformed. In addition, we have not entered into any transaction with related parties which is or was unusual in its nature or conditions during the current or the three immediately preceding financial years, nor is any such transaction proposed, that is or would be material to our business.

We have no outstanding loans or guaranties to the members of our board of directors, our executive officers or any close member of their families.

For a description of the shares beneficially held by the members of our board of directors and close members of their families, see Item 6. "Directors, Senior Management and Employees—Share Ownership."

Brazilian Federal Government

We have engaged, and expect to continue to engage, in numerous transactions in the ordinary course of business with our controlling shareholder, the Brazilian federal government, and with other companies controlled by it, including financings from BNDES and banking, asset management and other transactions with Banco do Brasil S.A. The above-mentioned transactions with Banco do Brasil had a negative net balance of \$U.S.\$2,002 million as of December 31, 2011. See Note 18.1 to our audited consolidated financial statements as of December 31, 2011.

As of December 31, 2011, we had a receivable (the Petroleum and Alcohol Account) from the Brazilian federal government, our controlling shareholder, of U.S.\$444 million secured by a U.S.\$53 million blocked deposit account. See Note 18.3 to our audited consolidated financial statements as of December 31, 2011.

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We also have restricted deposits made by us, which serve as collateral for legal proceedings involving the Brazilian federal government. As of December 31, 2011, these deposits amounted to U.S.\$1,693 million. See Note 18.1 to our audited consolidated financial statements as of December 31, 2011.

In addition, according to Brazilian law, we are only permitted to invest in securities issued by the Brazilian federal government in Brazil. This restriction does not apply to investment outside of Brazil. As of December 31, 2011, the value of these marketable securities that has been directly acquired and held by us amounted to U.S.\$11,954 million. See Note 18.1 to our audited consolidated financial statements as of December 31, 2011.

For additional information regarding our principal transactions with related parties, see Note 18 to our audited consolidated financial statements as of December 31, 2011.

PifCo Related Party Transactions

PifCo has in the past engaged in both commercial operations and in financing activities for us. PifCo ceased its commercial operations altogether and has become our finance subsidiary, functioning as a vehicle to raise funds for us primarily through the issuance of debt securities in the international capital markets, among other means.

PifCo accounted for its cessation of commercial operations, as well as its sale to PIB B.V. of two of its wholly-owned subsidiaries, PEL and PSPL, as discontinued operations under IFRS issued by IASB. PifCo's balance and results of commercial operations, and PEL and PSPL and their respective cash flows, have been removed from PifCo's results of continuing operations and cash flows for all years presented in this report. For more information, see Note 13 to our consolidated financial statements as of and for the year ending December 31, 2011.

In addition, on September 1, 2011, PifCo terminated the financing program carried out by its subsidiary Petrobras Finance Limited (PFL), a Cayman Islands company that carries out a financing program supported by future sales of fuel oil. PifCo expects to continue its insurance-related activities through its wholly-owned subsidiary Bear Insurance Company (BEAR), a Bermuda company that contracts insurance for us and our subsidiaries. We will continue to support PifCo's debt obligations through unconditional and irrevocable guaranties of payment.

Since PifCo's inception there have been no, and there are no proposed, material transactions with any of PifCo's officers and directors. PifCo does not extend any loans to its officers and directors.

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PifCo's transactions with related parties resulted in the following balances in 2011 and 2010:

	December 31, 2011		December 31, 2010	
	Assets	Liabilities	Assets	Liabilities
(U.S.\$ million)				
Assets				
Current:				
Accounts receivable	2	—	—	—
Marketable securities	558	—	2,429	—
Discontinued operations	1,547	—	5,964	—
Other non-current:				
Marketable securities	4,611	—	2,729	—
Notes receivable	12,387	—	3,067	—
Discontinued operations	—	—	194	—
Liabilities				
Current:				
Accounts payable	—	6	—	31
Discontinued operations	—	160	—	2,139
Total	19,105	166	14,383	2,170
Current	2,107	166	8,393	2,170
Long-term	16,998	—	5,990	—

PifCo's principal transactions with related parties are as follows:

	Year Ended December 31,					
	2011		2010		2009	
	Income	Expense	Income	Expense	Income	Expense
(U.S.\$ million)						
General and administrative expenses						
Petróleo Brasileiro S.A. – Petrobras	—	(13)	—	(11)	—	(9)
Other operating income						
Petrobras International Braspetro B.V. - PIB BV and its subsidiaries	4	—	2	—	—	—
Financial income						
Petrobras International Braspetro B.V. - PIB BV and its subsidiaries	311	—	78	—	77	—
Petrobras Netherlands B.V. - PNBV	115	—	—	—	—	—
Braspetro Oil Services Company – Brasoil	53	—	1	—	—	—
Other	—	—	—	—	1	—
Financial expense						
Petróleo Brasileiro S.A. – Petrobras	—	—	—	(107)	—	(937)
Discontinued operations						
Petróleo Brasileiro S.A. – Petrobras	—	(2,190)	20	—	2,139	—
Petrobras International Braspetro B.V. - PIB BV and its subsidiaries	2,046	—	1,752	—	1,185	—
Petrobras Netherlands B.V. - PNBV	3	—	—	—	1	—
Downstream Participações S.A. and its subsidiaries	607	—	1,414	—	1,594	—
Other	22	—	310	—	86	—
Total	3,161	(2,203)	3,577	(118)	5,083	(946)

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Item 8. Financial Information

Petrobras Consolidated Statements and Other Financial Information

See Item 18. “Financial Statements” and “Index to Financial Statements.”

PifCo Consolidated Statements and Other Financial Information

See Item 18. “Financial Statements” and “Index to Financial Statements.”

Legal Proceedings

Petrobras

We are currently subject to numerous legal proceedings relating to civil, tax, labor, corporate and environmental issues arising in the normal course of our business. Several individual disputes account for a significant part of the total amount of claims against us. Our audited consolidated financial statements only include provisions for probable and reasonably estimable losses and expenses we may incur in connection with pending proceedings. Our material legal proceedings are described in Note 28 to our audited consolidated financial statements included in this annual report, and that description is incorporated by reference under this Item.

PifCo

There is no litigation or governmental proceeding pending or, to PifCo’s knowledge, threatened against PifCo’s or any of its subsidiaries that, if adversely determined, would have a significant effect on its financial position or profitability.

Dividend Distribution

Petrobras

The tables below describe our cash dividends for the last five three years, including amounts paid in the form of interest on shareholders’ equity.

	For the Year Ended December 31,		
	2011	2010	2009
	(U.S.\$ million)		
Total benefits paid	6,422	5,398	7,724

Our dividend policy has been to pay the minimum dividend required by Brazilian Corporate Law and our bylaws. In 2011, the minimum preferred dividend that we are required to pay to preferred shareholders exceeded the amount of the mandatory distribution that would be ordinarily paid to all shareholders. It has been our policy to pay the same amount of dividends to common and preferred shareholders as we did in 2011. For Brazilian Corporate Law’s minimum dividend distribution requirements, see Item 10. “Additional Information—Memorandum and Articles of Incorporation of Petrobras—Payment of Dividends and Interest on Shareholders’ Equity” and Item 10. “Additional Information—Memorandum and Articles of Incorporation of Petrobras—Mandatory Distribution.” We may change our dividend policy at any time within the limits set forth by Brazilian law.

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PifCo

For a description of PifCo’s dividend distribution policy, see Item 10. “Additional Information—Memorandum and Articles of Association of PifCo—Dividends.”

Item 9. The Offer and Listing

Petrobras

Trading Markets

Our shares and ADSs are listed or quoted on the following markets:

Common Shares	São Paulo Stock Exchange (BM&FBOVESPA)— São Paulo (ticker symbol PETR3); Mercado de Valores Latinoamericanos en Euros (Latibex)—Madrid, Spain (ticker symbol XPBR); Bolsa de Comercio de Buenos Aires (BCBA)—Buenos Aires, Argentina (ticker symbol APBR)
Preferred Shares	São Paulo Stock Exchange (BM&FBOVESPA)—São Paulo (ticker symbol PETR4); Mercado de Valores Latinoamericanos en Euros (Latibex)—Madrid, Spain (ticker symbol XPBRA); Bolsa de Comercio de Buenos Aires (BCBA)—Buenos Aires, Argentina (ticker symbol APBRA)
Common ADSs	New York Stock Exchange (NYSE)—New York (ticker symbol PBR)
Preferred ADSs	New York Stock Exchange (NYSE)—New York (ticker symbol PBRA)

Our common and preferred shares have been traded on the BM&FBOVESPA since 1968. Our ADSs representing two common shares and our ADSs representing two preferred shares have been traded on the New York Stock Exchange since 2000 and 2001, respectively. The Bank of New York Mellon serves as depository for both the common and preferred ADSs.

Our common and preferred shares have been traded on the LATIBEX since 2002. The LATIBEX is an electronic market created in 1999 by the Madrid Stock Exchange in order to enable trading of Latin American equity securities in euro denominations.

Our common and preferred shares have been traded on the *Bolsa de Comercio de Buenos Aires* (Buenos Aires Stock Exchange) since April 27, 2006.

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[Share Price History](#)

The following table sets forth information for our common shares and preferred shares, as reported by the BM&FBOVESPA, and for our common and preferred ADSs, as reported by the New York Stock Exchange, for the periods indicated.

	Reais Per Common Share		Reais Per Preferred Share		U.S. Dollars Per Common ADS		U.S. Dollars Per Preferred ADS	
	High	Low	High	Low	High	Low	High	Low
007	52.50	22.43	44.20	20.09	58.81	21.13	49.83	18.88
008	62.30	20.21	52.51	16.89	75.19	14.94	63.51	12.56
009	45.10	27.45	39.79	23.06	53.01	23.01	46.91	19.48
010	41.81	26.68	37.50	24.16	48.90	31.90	43.82	28.63
011:								
First quarter	33.65	29.12	29.08	26.18	41.56	35.40	35.94	31.92
Second quarter	33.09	25.20	28.74	22.87	41.40	31.87	36.21	28.92
Third quarter	26.38	20.75	23.80	18.65	34.75	22.45	31.39	20.72
Fourth quarter	25.39	19.80	23.32	18.21	28.44	21.50	26.44	19.85
November 2011	24.62	22.75	22.68	21.01	28.44	24.41	26.44	22.64
December 2011	25.39	22.70	23.32	21.12	28.27	24.03	26.15	22.55
012:								
January 2012	27.73	23.21	25.40	21.73	31.81	24.85	29.35	23.49
February 2012	27.75	24.67	25.60	23.10	32.12	28.62	29.74	26.73

[BM&FBOVESPA](#)

As of December 31, 2011, Petrobras' common and preferred shares represented approximately 13% of the total market capitalization of the BM&FBOVESPA and Petrobras was the second most actively traded company of the BM&FBOVESPA. At December 31, 2011, the aggregate market capitalization of the 373 companies listed on the BM&FBOVESPA was approximately U.S.\$1,223 billion and the ten largest companies represented approximately 53% of the total market capitalization of all listed companies. All the outstanding shares of an exchange-listed company may trade on the BM&FBOVESPA, but in most cases, only a portion of the listed shares are actually available for trading by the public. The remainder is held by small groups of controlling persons, by governmental entities or by one principal shareholder.

Trading on the BM&FBOVESPA by a holder not deemed to be a resident of Brazil for Brazilian tax and regulatory purposes (a non-Brazilian holder) is subject to certain limitations under Brazilian foreign investment legislation. With limited exceptions, non-Brazilian holders may only trade on the BM&FBOVESPA in accordance with the requirements of Resolution No. 2,689 of the CMN. Resolution No. 2,689 requires that securities held by non-Brazilian holders be maintained in the custody of, or in deposit accounts with, financial institutions duly authorized by the Central Bank of Brazil and the CVM. In addition, Resolution No. 2,689 requires non-Brazilian holders to restrict their securities trading to transactions on Brazilian stock exchanges or qualified over-the-counter markets. With limited exceptions, non-Brazilian holders may not transfer the ownership of investments made under Resolution No. 2,689 to other non-Brazilian holders through a private transaction.

[PifCo](#)

PifCo's common stock is not registered and there is no trading market for it. PifCo's Senior Notes due 2018, 2022 and 2026 as well as PifCo's Global Notes due 2013 and 2014 are listed in the Luxembourg Stock Exchange. PifCo's Global Notes due 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2040 and 2041 are listed on the New York Stock Exchange. PifCo's other debt securities have not been listed on any securities exchange.

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Item 10. Additional Information

Memorandum and Articles of Incorporation of Petrobras

General

We are a publicly traded company duly registered with the CVM under identification number 951-2. Article 3 of our bylaws establishes our corporate purposes as research, prospecting, extraction, processing, trade and transportation of crude oil from wells, shale and other rocks, of its derivatives, natural gas and other fluid hydrocarbons, as well as other related or similar activities, such as activities connected with energy, including research, development, production, transportation, distribution, sale and trade of all forms of energy, as well as other related or similar activities. We may conduct outside Brazil, directly or through our subsidiaries, any of the activities within our corporate purpose.

Qualification of Directors

Law No. 12,431, enacted on June 24, 2011, amended the Brazilian Corporate Law by eliminating the previous requirement that only shareholders of a company may be appointed to its board of directors. Therefore, directors are no longer required to be shareholders of the company, but the members of our board of executive officers must be Brazilian nationals and reside in Brazil. Our directors and executive officers are prevented from voting on any transaction involving companies in which they hold more than 10% of the total capital stock or of which they have held a management position in the period immediately prior to their taking office. Under our bylaws, shareholders set the aggregate compensation payable to directors and executive officers. The board of directors allocates the compensation among its members and the executive officers.

In addition, Law No. 12,353, enacted on December 28, 2010, requires that public and mixed-capital companies in which the Brazilian federal government holds directly or indirectly a majority of the voting rights include a director on the board of directors that is a representative elected by the company's employees, such director to be elected by means of a separate voting procedure.

Allocation of Net Income

At each annual general shareholders' meeting, our board of directors is required to recommend how net profits for the preceding fiscal year are to be allocated. The Brazilian Corporate Law defines net profits as net income after income taxes and social contribution taxes for such fiscal year, net of any accumulated losses from prior fiscal years and any amounts allocated to employees' and management's participation in our profits. In accordance with the Brazilian Corporate Law, the amounts available for dividend distribution or payment of interest on shareholders' equity equals net profits less any amounts allocated from such net profits to the legal reserve.

We are required to maintain a legal reserve, to which we must allocate 5% of net profits for each fiscal year until the amount for such reserve equals 20% of our paid-in capital. However, we are not required to make any allocations to our legal reserve in a fiscal year in which the legal reserve, when added to our other established capital reserves, exceeds 30% of our capital. The legal reserve can only be used to offset losses or to increase our capital.

As long as we are able to make the minimum mandatory distribution described below, we must allocate an amount equivalent to 0.5% of subscribed and fully paid-in capital at year-end to a statutory reserve. The reserve is used to fund the costs of research and technological development programs. The accumulated balance of this reserve cannot exceed 5% of the subscribed and fully paid-in capital stock.

Brazilian law also provides for three discretionary allocations of net profits that are subject to approval by the shareholders at the annual general shareholders' meeting, as follows:

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- first, a percentage of net profits may be allocated to a contingency reserve for anticipated losses that are deemed probable in future years. Any amount so allocated in a prior year must be either reversed in the fiscal year in which the reasons justifying the reserve cease to exist, or written off in the event that the anticipated loss occurs;
- second, if the mandatory distributable amount exceeds the sum of realized net profits in a given year, this excess may be allocated to an unrealized revenue reserve. The Brazilian Corporate Law defines realized net profits as the amount of net profits that exceeds the sum of the net positive result of equity adjustments and profits or revenues from operations whose financial results take place after the end of the next succeeding fiscal year; and
- third, a portion of our net profits that exceeds the minimum mandatory distribution may be allocated to fund working capital needs and investment projects, as long as such allocation is based on a capital budget previously approved by our shareholders. Capital budgets for more than one year must be reviewed at each annual shareholders' meeting.

Mandatory Distribution

Under Brazilian Corporate Law, the bylaws of a Brazilian corporation with a class of non-voting shares, such as ours, may specify a minimum percentage of the amounts available for distribution by such corporation for each fiscal year that must be distributed to shareholders as dividends or interest on shareholders' equity, also known as the mandatory distributable amount, which cannot be lower than 25% of the adjusted net profit for the fiscal year. Under our bylaws, the mandatory distributable amount has been fixed at an amount equal to not less than 25% of our net profits, after the allocations to the legal reserve, contingency reserve and unrealized revenue reserve. Furthermore, the net profits that are not allocated to the reserves above to fund working capital needs and investment projects as described above or to the statutory reserve must be distributed to our shareholders as dividends or interest on shareholders' equity.

The Brazilian Corporate Law, however, permits a publicly held company, such as ours, to suspend the mandatory distribution if the board of directors and the Fiscal Council report to the annual general shareholders' meeting that the distribution would be inadvisable in view of the company's financial condition. The suspension is subject to approval of holders of common shares. In this case, the board of directors must file a justification for such suspension with the CVM. Profits not distributed by virtue of the suspension mentioned above shall be allocated to a special reserve and, if not absorbed by subsequent losses, shall be distributed as soon as the financial condition of the company permits such payments.

Payment of Dividends and Interest on Shareholders' Equity

We are required by the Brazilian Corporate Law and by our bylaws to hold an annual general shareholders' meeting by the fourth month after the end of each fiscal year at which, among other things, the shareholders have to decide on the payment of an annual dividend. The payment of annual dividends is based on the financial statements prepared for the relevant fiscal year.

Law No. 9,249 of December 26, 1995, as amended, provides for distribution of interest attributed to shareholders' equity to shareholders as an alternative form of distribution. Such interest is limited to the daily *pro rata* variation of the TJLP interest rate, the Brazilian federal government's long-term interest rate.

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We may treat these payments as a deductible expense for corporate income tax and social contribution purposes, but the deduction cannot exceed the greater of:

- 50% of net income (before taking into account such distribution and any deductions for income taxes and after taking into account any deductions for social contributions on net profits) for the period in respect of which the payment is made; or
- 50% of retained earnings.

Any payment of interest on shareholders' equity to holders of ADSs or common shares, whether or not they are Brazilian residents, is subject to Brazilian withholding tax at the rate of 15% or 25%. The 25% rate applies if the beneficiary is resident in a tax haven. See "—Taxation Relating to Our ADSs and Common and Preferred Shares—Brazilian Tax Considerations." The amount paid to shareholders as interest attributed to shareholders' equity, net of any withholding tax, may be included as part of any mandatory distribution of dividends. Under the Brazilian Corporate Law, we are required to distribute to shareholders an amount sufficient to ensure that the net amount received, after payment by us of applicable Brazilian withholding taxes in respect of the distribution of interest on shareholders' equity, is at least equal to the mandatory dividend.

Under the Brazilian Corporate Law and our bylaws, dividends generally are required to be paid within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur prior to the end of the fiscal year in which the dividend was declared. The amounts of dividends due to our shareholders are subject to financial charges at the SELIC rate from the end of each fiscal year through the date we actually pay such dividends. Shareholders have a three-year period from the dividend payment date to claim dividends or interest payments with respect to their shares, after which the amount of the unclaimed dividends reverts to us.

Pursuant to our bylaws, holders of preferred shares are entitled to minimum annual dividends equal to (i) 5% of their pro rata share of our paid-in capital, or (ii) 3% of the book value of their preferred shares, whichever is higher. Holders of preferred shares participate equally with common shareholders in corporate capital increases obtained from the incorporation of reserves and profits. To the extent that we declare dividends in any particular year in an amount that exceeds the minimum preferential dividends on preferred shares, holders of common shares and preferred shares will receive the same additional dividend amount per share. Based on our equity capital at year-end 2011, we paid to holders of preferred shares a preferential dividend equal to 3% of the book value of their preferred shares.

Our board of directors may distribute dividends or pay interest based on the profits reported in interim financial statements. The amount of interim dividends distributed cannot exceed the amount of our capital reserves.

Shareholders' Meetings

Our shareholders have the power to decide on any matters related to our corporate purposes and to pass any resolutions they deem necessary for our protection and development, through voting at a general shareholders' meeting.

Until 2011, we convened our shareholders' meetings by publishing a notice in the *Diário Oficial da União* and *Jornal do Commercio*. As of 2012, we intend to publish notices in the *Diário Oficial do Estado* and *Jornal do Commercio*. The notice must be published no fewer than three times, beginning at least 15 calendar days prior to the scheduled meeting date. The notice must contain the meeting's agenda and, in the case of a proposed amendment to the bylaws, an indication of the subject matter. For ADS holders, we are required to provide notice to the ADS depository at least 30 calendar days prior to a shareholders' meeting, when practicable.

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The board of directors or, in some specific situations set forth in the Brazilian Corporate Law, the shareholders, call our general shareholders' meetings. A shareholder may be represented at a general shareholders' meeting by an attorney-in-fact, so long as the attorney-in-fact was appointed within a year of the meeting. The attorney-in-fact must be a shareholder, a member of our management, a lawyer or a financial institution. The attorney-in-fact's power of attorney must comply with certain formalities set forth by Brazilian law.

In order for a valid action to be taken at a shareholders' meeting, shareholders representing at least one quarter of our issued and outstanding common shares must be present at the meeting. However, in the case of a general meeting to amend our bylaws, shareholders representing at least two-thirds of our issued and outstanding common shares must participate in person. If no such quorum is present, the board may call a second meeting giving at least eight calendar days notice prior to the scheduled meeting in accordance with the rules of publication described above. The quorum requirements will not apply to the second meeting, subject to the voting requirements for certain matters described below. Beginning in 2010, our shareholders may also register online to exercise their voting rights electronically in shareholders' meetings. In addition, our shareholders may also vote electronically in proxy contests (*pedido público de procuração*). Electronic participation in shareholders' meetings is not available to our ADR holders.

Voting Rights

Pursuant to the Brazilian Corporate Law and our bylaws, each of our common shares carries the right to vote at a general meeting of shareholders. The Brazilian federal government is required by law to own at least a majority of our voting stock. Pursuant to our bylaws, our preferred shares generally do not confer voting rights.

Holders of common shares, voting at a general shareholders' meeting, have the exclusive power to:

- amend our bylaws;
- approve any capital increase;
- approve any capital reduction;
- elect or dismiss members of our board of directors and Fiscal Council, subject to the right of our preferred shareholders to elect or dismiss one member of our board of directors and to elect one member of our Fiscal Council;
- receive the yearly financial statements prepared by our management and accept or reject management's financial statements, including the allocation of net profits for payment of the mandatory dividend and allocation to the various reserve accounts;
- authorize the issuance of debentures, except for the issuance of non-convertible unsecured debentures, which may be approved by our board of directors;
- suspend the rights of a shareholder who has not fulfilled the obligations imposed by law or by our bylaws;
- accept or reject the valuation of assets contributed by a shareholder in consideration for issuance of capital stock;
- pass resolutions to approve corporate restructurings, such as mergers, spin-offs and transformation into another type of company;

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- participate in a centralized group of companies;
- approve the disposal of the control of our subsidiaries;
- approve the disposal of convertible debentures issued by our subsidiaries and held by us;
- establish the compensation of our senior management;
- approve the cancellation of our registration as a publicly-traded company;
- decide on our dissolution or liquidation;
- waive the right to subscribe to shares or convertible debentures issued by our subsidiaries or affiliates; and
- choose a specialized company to work out the appraisal of our shares by economic value, in cases of the canceling of our registry as a publicly-traded company or deviation from the standard rules of corporate governance defined by a stock exchange or an entity in charge of maintaining an organized over-the-counter market registered with the CVM, in order to comply with such corporate governance rules and with contracts that may be executed by us and such entities.

Except as otherwise provided by law, resolutions of a general shareholders' meeting are passed by the majority of the outstanding common shares. Abstentions are not taken into account.

The approval of holders of at least one-half of the issued and outstanding common shares is required for the following actions involving our company:

- reduction of the mandatory dividend distribution;
- merger into another company or consolidation with another company, subject to the conditions set forth in the Brazilian Corporate Law;
- participation in a group of companies subject to the conditions set forth in the Brazilian Corporate Law;
- change of our corporate purpose, which must be preceded by an amendment in our bylaws by federal law as we are controlled by the government and our corporate purpose is established by law;
- cessation of the state of liquidation;
- spin-off of a portion of our company, subject to the conditions set forth in the Brazilian Corporate Law;
- transfer of all our shares to another company or receipt of shares of another company in order to make the company whose shares are transferred a wholly owned subsidiary of such company, known as *incorporação de ações*; and
- approval of our liquidation.

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Under Brazilian Corporate law, if shareholder has a conflict of interest with the company in connection with any proposed transaction, the shareholder may not vote in any decision regarding such transaction. For example, an interested shareholder may not vote to approve the valuation of assets contributed by that shareholder in exchange for capital stock or, when the shareholder is a member of senior management, to approve the management's report on the company's financial statements. Any transaction approved with the vote of a shareholder with a conflict of interest may be annulled and such shareholder may be liable for any damages caused and be required to return to the company any gain it may have obtained as a result of the transaction.

According to the Brazilian Corporate Law, the following actions shall be submitted for approval by the outstanding adversely affected preferred shares before they are submitted for approval of at least half of the issued and outstanding common shares:

- creation of preferred shares or increase in the existing classes of preferred shares, without preserving the proportions to any other class of preferred shares, except as set forth in or authorized by the company's bylaws;
- change in the preferences, privileges or redemption or amortization conditions of any class of preferred shares; and
- creation of a new class of preferred shares entitled to more favorable conditions than the existing classes.

Decisions on our transformation into another type of company require the unanimous approval of our shareholders, including the preferred shareholders, and an amendment of our bylaws by the federal law.

Our preferred shares will acquire voting rights if we fail to pay the minimum dividend to which such shares are entitled for three consecutive fiscal years. The voting right shall continue until payment has been made. Preferred shareholders also obtain the right to vote if we enter into a liquidation process.

Under Brazilian Corporate Law, shareholders representing at least 10% of the company's voting capital have the right to demand that a cumulative voting procedure be adopted to entitle each common share to as many votes as there are board members and to give each common share the right to vote cumulatively for only one candidate or to distribute its votes among several candidates. Pursuant to CVM regulations, the 10% threshold requirement for the exercise of cumulative voting procedures may be reduced.

Furthermore, minority common shareholders holding at least 10% of our voting capital also have the right to appoint or dismiss one member to or from our Fiscal Council.

Preferred shareholders holding, individually or as a group, 10% of our total capital have the right to appoint and/or dismiss one member to or from our board of directors. Preferred shareholders have the right to separately appoint one member to our Fiscal Council.

In addition, pursuant to Law No. 12,353, our employees have the right to appoint or dismiss one member of our board of directors in accordance with a separate voting procedure.

Our bylaws provide that, independently from the exercise of the rights above granted to minority shareholders, through cumulative voting process, the Brazilian federal government always has the right to appoint the majority of our directors.

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Preemptive Rights

Pursuant to the Brazilian Corporate Law, each of our shareholders has a general preemptive right to subscribe for shares or securities convertible into shares in any capital increase, in proportion to the number of shares held by them. In the event of a capital increase that would maintain or increase the proportion of capital represented by the preferred shares, holders of preferred shares would have preemptive rights to subscribe to newly issued preferred shares only. In the event of a capital increase that would reduce the proportion of capital represented by the preferred shares, holders of preferred shares would have preemptive rights to subscribe to any new preferred shares in proportion to the number of shares held by them, and to common shares only to the extent necessary to prevent dilution of their interests in our total capital.

A period of at least 30 days following the publication of notice of the issuance of new shares or securities convertible into shares is allowed for exercise of the right, and the right is negotiable.

In the event of a capital increase by means of the issuance of new shares, holders of ADSs, of common or preferred shares, would have, except under circumstances described above, preemptive rights to subscribe for any class of our newly issued shares. However, holders of ADSs may not be able to exercise the preemptive rights relating to the preferred shares underlying their ADSs unless a registration statement under the Securities Act is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. See Item 3. “Key Information—Risk Factors—Risks Relating to Our Equity and Debt Securities.”

Redemption and Rights of Withdrawal

Brazilian law provides that, under limited circumstances, a shareholder has the right to withdraw his or her equity interest from the company and to receive payment for the portion of shareholder’s equity attributable to his or her equity interest.

This right of withdrawal may be exercised by the holders of the adversely affected common or preferred shares in the event that we decide:

- to create preferred shares or to increase the existing classes of preferred shares, without preserving the proportions to any other class of preferred shares, except as set forth in or authorized by our bylaws; or
- to change the preferences, privileges or redemption or amortization conditions of any class of preferred shares or to create a new class of preferred shares entitled to more favorable conditions than the existing classes.

Holders of our common shares may exercise their right of withdrawal in the event we decide:

- to merge into another company or to consolidate with another company, subject to the conditions set forth in the Brazilian Corporate Law; or
- to participate in a centralized group of companies as defined under the Brazilian Corporate Law and subject to the conditions set forth therein.

The right of withdrawal may also be exercised by our dissenting shareholders in the event we decide:

- to reduce the mandatory distribution of dividends;
- to change our corporate purposes;

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- to spin-off a portion of our company, subject to the conditions set forth in the Brazilian Corporate Law;
- to transfer all of our shares to another company or to receive shares of another company in order to make the company whose shares are transferred a wholly owned subsidiary of our company, known as *incorporação de ações*, subject to the conditions set forth in Brazilian Corporate Law; or
- to acquire control of another company at a price, which exceeds the limits set forth in the Brazilian Corporate Law, subject to, the conditions set forth in the Brazilian Corporate Law.

This right of withdrawal may also be exercised in the event that the entity resulting from a merger, *incorporação de ações*, as described above, or consolidation or spin-off of a listed company fails to become a listed company within 120 days of the shareholders' meeting at which such decision was taken.

Any redemption of shares arising out of the exercise of such withdrawal rights would be made based on the book value per share, determined on the basis of the last balance sheet approved by our shareholders. However, if a shareholders' meeting giving rise to redemption rights occurred more than 60 days after the date of the last approved balance sheet, a shareholder would be entitled to demand that his or her shares be valued on the basis of a new balance sheet dated within 60 days of such shareholders' meeting. The right of withdrawal lapses 30 days after publication of the minutes of the shareholders' meeting that approved the corporate actions described above. We would be entitled to reconsider any action giving rise to withdrawal rights within ten days following the expiration of such rights if the withdrawal of shares of dissenting shareholders would jeopardize our financial stability.

Other Shareholders' Rights

According to the Brazilian Corporate Law, neither a company's bylaws nor actions taken at a general meeting of shareholders may deprive a shareholder of some specific rights, such as:

- the right to participate in the distribution of profits;
- right to participate equally and ratably in any remaining residual assets in the event of liquidation of the company;
- the right to supervise the management of the corporate business as specified in the Brazilian Corporate Law;
- the right to preemptive rights in the event of a subscription of shares, debentures convertible into shares or subscription bonuses (other than with respect to a public offering of such securities, as may be set out in the bylaws); and
- the right to withdraw from the company in the cases specified in the Brazilian Corporate Law.

Liquidation

In the event of a liquidation, holders of preferred shares are entitled to receive, prior to any distribution to holders of common shares, an amount equal to the paid-in capital with respect to the preferred shares.

Conversion Rights

According to our bylaws, our common shares are not convertible into preferred shares, nor are preferred shares convertible into common shares.

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Liability of Our Shareholders for Further Capital Calls

Neither Brazilian law nor our bylaws provide for capital calls. Our shareholders' liability for capital calls is limited to the payment of the issue price of the shares subscribed or acquired.

Form and Transfer

Our shares are registered in book-entry form and we have hired Banco do Brasil to perform all the services of safe-keeping and transfer of shares. To make the transfer, Banco do Brasil makes an entry in the register, debits the share account of the transferor and credits the share account of the transferee.

Our shareholders may choose, at their individual discretion, to hold their shares through the *Companhia Brasileira de Liquidação e Custódia* or CBLC. Shares are added to the CBLC system through Brazilian institutions, which have clearing accounts with the CBLC. Our shareholder registry indicates which shares are listed on the CBLC system. Each participating shareholder is in turn registered in a registry of beneficial shareholders maintained by the CBLC and is treated in the same manner as our registered shareholders.

Dispute Resolution

Our bylaws provide for mandatory dispute resolution through arbitration, in accordance with the rules of the *Câmara de Arbitragem do Mercado* (Market Arbitration Chamber), with respect to any dispute regarding us, our shareholders, the officers, directors and Fiscal Council members and involving the provisions of the Brazilian Corporate Law, our bylaws, the rules of the CMN, the Central Bank of Brazil and the CVM or any other capital markets legislation, including the provisions of any agreement entered into by us with any stock exchange or over-the-counter entity registered with the CVM, relating to adoption of differentiated corporate governance practices.

However, decisions of the Brazilian federal government, as exercised through voting in any general shareholders' meeting, are not subject to this arbitration proceeding, in accordance with Article 238 of the Brazilian Corporate Law.

Self-dealing Restrictions

Our controlling shareholder, the Brazilian federal government, and the members of our board of directors, board of executive officers and Fiscal Council are required, in accordance with our bylaws, to:

- refrain from dealing with our securities either in the one-month period prior to any fiscal year-end, up to the date when our financials are published, or in the period between any corporate decision to raise or reduce our stock capital, to distribute dividends or stock, and to issue any security, up to the date when the respective public releases are published; and
- communicate to us and to the stock exchange their periodical dealing plans with respect to our securities, if any, including any change or default in these plans. If the communication is an investment or divestment plan, the frequency and planned quantities must be included.

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Restrictions on Non-Brazilian Holders

Non-Brazilian holders face no legal restrictions on the ownership of our common or preferred shares or of ADSs based on our common or preferred shares, and are entitled to all the rights and preferences of such common or preferred shares, as the case may be.

However, the ability to convert dividend payments and proceeds from the sale of common or preferred shares or preemptive rights into foreign currency and to remit such amounts outside Brazil is subject to restrictions under foreign investment legislation which generally requires, among other things, the registration of the relevant investment with the Central Bank of Brazil. Nonetheless, any non-Brazilian holder who registers with the CVM in accordance with CMN Resolution No. 2,689 may buy and sell securities on the BM&FBOVESPA without obtaining a separate certificate of registration for each transaction.

In addition, Annex III to Resolution No. 1,289 of the CMN, as amended, known as Annex III Regulations, allows Brazilian companies to issue depositary receipts in foreign exchange markets. We currently have an ADR program for our common and preferred shares duly registered with the CVM and the Central Bank of Brazil. The proceeds from the sale of ADSs by holders outside Brazil are free of Brazilian foreign exchange controls.

Transfer of Control

According to Brazilian law and our bylaws, the Brazilian federal government is required to own at least the majority of our voting shares. Therefore, any change in our control would require a change in the applicable legislation.

Disclosure of Shareholder Ownership

Brazilian regulations require that any person or group of persons representing the same interest that has directly or indirectly acquired or sold an interest corresponding to 5% of the total number of shares of any type or class must disclose its share ownership or divestment to the CVM and the BM&FBOVESPA. In addition, a statement containing the required information must be published in the newspapers. Any subsequent increase or decrease by 5% or more in ownership of shares of any type or class must be similarly disclosed.

Memorandum and Articles of Association of PifCo

Register

PifCo is an exempted company incorporated with limited liability in the Cayman Islands under the Companies Law, as amended, with company registration number 76600. PifCo registered and filed its Memorandum and Articles of Association with the Registrar of Companies on September 24, 1997. The company adopted an Amended and Restated Memorandum and Articles of Association by sole shareholder special resolution on May 7, 2007, adopted a further Amended and Restated Memorandum and Articles of Association by sole shareholder special resolution on February 23, 2008 and adopted a further Amended and Restated Memorandum and Articles of Association on September 9, 2011. PifCo was initially incorporated with the name Brasoil Finance Company, which name was changed by special resolution of PifCo's shareholder to Petrobras International Finance Company on September 25, 1997. The last amendment to PifCo's Memorandum and Articles of Association occurred on September 9, 2011, to amend the stated objects and purposes of PifCo.

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Objects and Purposes

PifCo's Memorandum and Articles of Association grants PifCo full power and authority to carry out any object not prohibited by law, as provided by Section 7(4) of the Companies Law. In particular (but without limitation), PifCo's primary object is to finance our business operations by, among other means, engaging in borrowings in the international capital markets supported by us through unconditional and irrevocable guaranties of payment for PifCo's outstanding debt obligations.

Directors

Directors may vote on a proposal, arrangement or contract in which they are interested. However, interested directors must declare the nature of their interest at a directors' meeting. If the interested directors declare their interest, their votes are counted and they are counted in the quorum of such meeting.

The directors may, in PifCo's name, exercise their powers to borrow money, issue debt securities and to mortgage or charge any of the undertaking or property of PifCo and are generally responsible for its day-to-day management and administration.

Directors are not required to own shares.

Rights and Obligations of Shareholders

Dividends

PifCo's shareholder may declare dividends in a general meeting but the dividends cannot exceed the amount recommended by the directors. The directors may pay the shareholder interim dividends and may, before recommending any dividend, set aside reserves out of profits. The directors can invest these reserves in their discretion or employ them in PifCo's business.

Dividends may be paid in cash or in kind but may only be paid out of profits or, subject to certain restrictions of Cayman Islands law, a share premium account.

Voting Rights

Votes may be cast at a general meeting by a show of hands or by a poll (if demanded by one or more members present in person or by proxy entitled to vote prior to or on the declaration of the result of the show of hands). On a vote by a show of hands, each shareholder or shareholder represented by proxy has one vote. On a vote by a poll, each shareholder or shareholder represented by proxy has one vote for each share owned.

Directors are elected by ordinary resolution by the shareholders at general meetings or by a board resolution of the directors. Shareholders are not entitled to vote at a general meeting unless calls or other amounts payable on their shares have been paid. In lieu of voting on a matter at a general meeting, the shareholders entitled to vote on that matter may adopt the matter by signing a written resolution.

Redemption

PifCo may issue shares, which are redeemable by PifCo or by its shareholder, on such terms and in such manner as the directors may determine before the issuance of such shares. PifCo may repurchase its own shares on such terms and in such manner as the directors may determine and agree with the relevant shareholder.

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Shareholder Rights Upon Liquidation

If PifCo is liquidated, the liquidator may (in accordance with an ordinary shareholder resolution):

- set a fair value on PifCo's assets, divide all or part of PifCo's assets among the shareholders and determine how the assets will be divided among shareholders or classes of shareholders; and
- vest all or part of PifCo's assets in trustees.

Shareholders will not be compelled to accept any securities on which there is a liability.

Calls on Shares

Directors may make calls on the shareholders to the extent any amounts remain unpaid on their shares (subject to giving such shareholder at least fourteen days notice specifying the time or times of payment). Each shareholder shall pay to the company the amounts called on such shares.

Change to Rights of Shareholders

Shareholders may change the rights of their class of shares by:

- getting the written consent of two-thirds of the shareholders of that class; or
- passing a special resolution at a meeting of the shareholders of that class.

There are no general limitations on the rights to own shares specified by the articles.

General Meetings

A general meeting may be convened:

- by the directors at any time; or
- by any two shareholders holding not less than 10% of the paid-up voting share capital of PifCo, by written request.

Notice of a general meeting is given to all shareholders.

All business carried out at a general meeting is considered special business except:

- sanctioning a dividend;
- consideration of the accounts, balance sheets, and ordinary report of the directors and auditors;
- appointment and removal of directors; and
- fixing of remuneration of the auditors.

Unanimous shareholder consent is required to carry out special business at a meeting unless notice of the special business is given in the notice of the meeting. A quorum of shareholders is required to be present at any meeting in order to carry out business. One or more shareholders holding at least a majority of the shares of PifCo that are present in person or represented by proxy is a quorum.

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There is no requirement under Cayman Islands law to convene an annual meeting or to convene any general meeting of the shareholders. The directors are permitted to designate any general meeting of shareholders as an annual general meeting.

Liability of Shareholders

In normal circumstances, the liability of any shareholder to PifCo is limited to the amount, which such shareholder has agreed to pay in respect of the subscription of his shares.

Changes in Capital

PifCo may increase its authorized share capital by ordinary resolution. The new shares will be subject to all of the provisions to which the original shares are subject.

PifCo may also by ordinary resolution:

- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any part of its paid-up shares into stock and reconvert that stock into paid-up shares of any denomination;
- split existing shares into shares of a smaller amount, subject to the provisions of Section 13 of the Companies Law; and
- cancel any shares, which, at the date of the resolution, are not held or agreed to be held by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

PifCo may reduce its share capital and any capital redemption reserve by special resolution in accordance with relevant provision of Cayman Islands law.

Indemnity

PifCo's directors and officers are indemnified out of its assets and funds against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities which they incur or sustain in or regarding the conduct of PifCo's business or affairs in the execution or discharge of their respective duties, powers, authorities or discretions. Under PifCo's Memorandum of Association, directors and officers are excused from all liability to PifCo, except for any losses, which arise as a result of such party's own dishonesty.

Accounts

Accounts relating to PifCo's affairs are kept in such manner as may be determined from time to time by the directors and may be audited in such manner as may be determined from time to time by the directors. There is, however, no requirement as a matter of Cayman Islands law to have PifCo's accounts audited.

Amendment of the Articles

PifCo may, by special resolution of the shareholders, amend its memorandum and articles of association.

Transfer out of Jurisdiction

PifCo may, by special resolution of the shareholders, transfer out of the Cayman Islands into any jurisdiction permitting such transfer.

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Material Contracts

Petrobras

Assignment Agreement (Cessão Onerosa)

On September 3, 2010, we entered into an agreement with the Brazilian federal government, under which the government assigned to us the right to conduct activities for the exploration and production of oil, natural gas and other fluid hydrocarbons in specified pre-salt areas, subject to a maximum production of five billion barrels of oil equivalent. The Assignment Agreement was entered into pursuant to specific provisions of Law No. 12,276. The draft of the Assignment Agreement was approved by our Board of Directors on September 1, 2010 and by the CNPE on September 1, 2010, following a negotiation between us and the Brazilian federal government based on independent experts reports obtained by us and the ANP according to a valuation procedure as required by Law No. 12,276.

Basic Terms

Purpose. Under the Assignment Agreement, we paid an initial contract price for the right to conduct activities of exploration and production of oil, natural gas and other fluid hydrocarbons in specified pre-salt areas, subject to a maximum production of five billion barrels of oil equivalent. Although the Assignment Agreement grants certain rights to us that are similar to those of a concession, the Assignment Agreement is a specific regime for exploration and production, not a concession under Brazilian law.

Area Covered. The Assignment Agreement covers six firm blocks plus one contingent block, located in the pre-salt areas and identified in the Assignment Agreement. These blocks are located in the Santos Basin and have expected geological characteristics similar to the discoveries made elsewhere in the pre-salt area.

Supervision and Inspection. The ANP has regulatory authority and inspection rights over our activities in the areas subject to the Assignment Agreement, as well as over our compliance with the Assignment Agreement.

Costs and Risks. All our exploration, development and production activities under the Assignment Agreement will be conducted at our expense and at our risk.

Price

The initial contract price for our rights under the Assignment Agreement was R\$74,807,616,407, which was equivalent to U.S.\$42,533,327,500 as of September 1, 2010. As provided by Law No. 12,276, the contract price was determined by negotiation between us and the Brazilian federal government, based on the reports of independent experts obtained by us and by the ANP, which took into consideration a number of factors, including market conditions, current oil prices and industry costs.

We have used part of the proceeds of our sale of shares in the global offering for the payment of the initial contract price, including the use of LFTs we received from the Brazilian federal government in the global offering. The LFTs were valued at the same price at which they were valued for purposes of the global offering.

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The Assignment Agreement sets forth the initial prices and volumes for each block, as follows:

	INITIAL EVALUATIONS		
	Volume (million of boe)	Price (U.S.\$/boe)	Value (U.S.\$)
Block 1			
Florim	467	9.0094	4,207,389,800
Block 2			
Franco	3,058	9.0400	27,644,320,000
Block 3			
Guará South	319	7.9427	2,533,721,300
Block 4			
Surrounding Iara	600	5.8157	3,489,420,000
Block 5			
Tupi South	128	7.8531	1,005,196,800
Block 6			
Tupi Northeast	428	8.5357	3,653,279,600
Block 7 (contingent block)			
Peroba	—	—	—
Initial Contract Price of the Assignment Agreement			42,533,327,500

Duration

The term of the Assignment Agreement is 40 years, which may be extended for an additional five years, upon our request, in cases of (i) force majeure, (ii) delay in obtaining applicable environmental licenses, provided that such delay is attributable only to the relevant environmental authority, (iii) suspension of the activities by determination of the ANP, or (iv) changes in the geological conditions forecast for each area. The extension will only apply to areas in which the ANP identifies the occurrence of one of the events specified above. The ANP will take into account the period of time of the delay occurred to determine the length of the extension, subject to the five-year limit indicated above. In addition, the duration of the Assignment Agreement is subject to the revision process.

Contingent Area

We may request that the Brazilian federal government grant us the right to perform the activities set forth in the mandatory exploration program in the contingent block within four years from the date of the Assignment Agreement, and provided that it is proved, based on oil and gas industry best practices, that the total volume recoverable in the other blocks is less than the maximum volume initially provided by the Assignment Agreement.

The activities set forth in the mandatory exploration program for the contingent block must be performed within the term of the exploration phase. At any time, in case we or the Brazilian federal government identify the possibility of producing the maximum volume initially provided for in the Assignment Agreement in the other blocks, we will be required to return the contingent block to the Brazilian federal government immediately.

Revision

The Assignment Agreement is subject to a revision process. We will notify the Brazilian federal government and the ANP ten months before the date expected for the declaration of commerciality of each area covered by the agreement, in order to initiate the revision process, which will begin immediately after the declaration of commerciality of each field in each of the blocks. The revision process will be concluded when we issue our last declaration of commerciality, based on each area's revised prices and volumes, for all the areas subject to the Assignment Agreement. The contingent area will also be subject to the revision process.

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The conclusion of the revision process may result in the renegotiation of the contract price, the maximum production volume of five billion barrels of oil equivalent, the duration, and the minimum levels of goods and services to be acquired from Brazilian providers.

If the revised contract price is higher than the initial contract price, we may agree with the Brazilian federal government on one or more of the following payment options: (i) a payment to be made by us, in cash or LFTs, to the Brazilian federal government in an amount equal to the difference between the revised contract price (resulting from the revision process) and the initial contract price; or (ii) a reduction in the maximum production volume of five billion barrels of oil equivalent, where we may agree to return one or more of the areas covered by the Assignment Agreement. If the revised contract price is lower than the initial contract price, then the Brazilian federal government will pay us in cash, LFTs, securities issued by us or through other means agreed between us, the difference between the revised contract price and the initial contract price. In either case, the difference between the revised contract price and the initial contract price in U.S. dollars will be converted into Brazilian *reais*, based on the average PTAX exchange rate for the purchase of U.S. dollars published by the Central Bank of Brazil for the 30 days preceding the revision of each area and will be adjusted by the interest rate of the Brazilian Special Clearance and Custody System (*Sistema Especial de Liquidação e Custódia*), or the SELIC rate, until the payment date. Payments must be made within three years of the completion of the revision process.

The revision process will be based on reports of independent experts to be engaged by us and by the ANP. The following factors will be considered in the revision process: Reference Date: the date of the reports obtained by us and the ANP for purposes of negotiating the initial contract price;

- Discount Rate: a discount rate of 8.83% per year;
- Oil Reference Price: will be equal to the average trading price of the month preceding the revision date (Crude Light West Texas Intermediate — WTI), in U.S.\$/barrel, as published by the New York Mercantile Exchange, the NYMEX, under the code “CL,” for the eighteenth futures contract in terms of maturity, minus the differential in relation to Brent crude oil. The Brent crude oil differential (the price of WTI minus the Brent price) shall be calculated using yearly averages of monthly projections as specified in the most recently published reports of the Pira Energy Group (available on their website for a fee) for the year following the revision, or, if not available, a comparable forecast published by an international entity renowned for its technical competence in the oil and natural gas industry. For each area under the Assignment Agreement, the calculation of the differential of the price of barrel of oil equivalent applicable to each area in relation to Brent crude oil shall be based on the most recent fluid characterization data available as of the revision date, and shall be conducted in accordance with the methodology specified in the ANP Ordinance No. 206/2000.
- Natural Gas Reference Price in U.S.\$/MMBtu: the natural gas reference price equals the price in the reference market (PMR) minus installments in connection with transportation fees (TTr), processing fees (TP), transfer fees (TT) and sales expenses (DC), according to the following formula: $PRGN = PMR - (TTr + TP + TT + DC)$, where:
 - The price in the reference market (PMR) in U.S.\$/MMBtu is the average sale price of domestic natural gas in the twelve months preceding the revision date, weighed per volume, consistent with our practices of firm commitments to the non-thermoelectric market in the states of Rio de Janeiro and São Paulo.
 - Transportation fees (TTr) in U.S.\$/MMBtu are contractual fees of gas pipelines used to transport natural gas between our processing plants and the delivery points, as follows: $TTr = \sum TTr(n)$, where $TTr(n)$ equals the transportation fees of gas pipeline n.

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- The processing fees (TP) in U.S.\$/MMBtu are based on the cost of processing pre-salt natural gas, in our Cabiúnas terminal in Macaé, State of Rio de Janeiro, taking into account the revenues from the commercialization of liquid hydrocarbons which will result from the processing of natural gas.
- The transfer fees (TT) in U.S.\$/MMBtu are based on the cost of transferring natural gas from the pre-salt areas from our production units to the Cabiúnas terminal.
- Sales Expenses (DC) in U.S.\$/MMBtu correspond to the costs incurred in the commercialization of natural gas, which include, among others, the preparation and management of natural gas commercialization contracts, logistics costs of supplying natural gas and invoicing costs.
- Calculations of the processing and transfer fees will be based on audited information we have available for equivalent projects involving processing and transfer of pre-salt natural gas. Calculations of sales expenses will be based on audited information we have available regarding natural gas commercialization.
- Tax: Applicable taxes will be the Brazilian taxes applicable to fields under the Assignment Agreement, in force at the revision period;
- Cost:
 - For operations between the date of the execution of the Assignment Agreement and the revision date, the cost shall be the effective cost incurred by us, in U.S.\$, separately for each area under the Assignment Agreement, provided they have been audited and are consistent with common market practices.
 - Investments and operational costs, and additional future costs will be estimated according to best practices in the oil industry, taking into consideration the operational environment, and based on the market prices practiced for each good or service at the revision date.
 - Lease and rent: in case lease and rent are applicable, they will be considered according to best practices in the oil industry, for production assets including, but not limited to, production units and underwater equipment. Lease and rent payments will be estimated based on daily lease rates of recent lease or rental contracts of Stationary Production Units that have an equivalent market value (CAPEX). Any taxes due pursuant to the remittance of lease and rent payments will be added to the lease and rent payments.
 - Investment costs, operating costs and additional expenses will be calculated in U.S. dollars; and
- Exchange Rate: the exchange rate to be applied in the conversions from U.S. dollars to Brazilian *reais* will be the average PTAX exchange rate for the purchase of U.S. dollars (calculated by the Brazilian Central Bank) for the 30 days immediately preceding the payment.

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Phases

Our performance under the Assignment Agreement is divided into two phases:

- Exploration phase. This phase comprises the appraisal for purposes of determining the commerciality of any discoveries of oil, natural gas and other fluid hydrocarbons. The exploration phase began as of the date of the execution of the Assignment Agreement and will end upon the declaration of commerciality of each respective reservoir discovered in each area covered by the Assignment Agreement. We will have four years, which may be extended for an additional two-year period, to comply with the mandatory working program and other ANP-approved activities as set forth in the Assignment Agreement. If we discover oil and decide to appraise such discovery, we must issue a notice of discovery to the ANP. Upon completion of the mandatory working program in each block, we may notify the ANP in writing that we are ending the exploration phase by issuing a declaration of commerciality of each reservoir discovered within a given block or that there have been no discoveries which would justify the development of a given block.
- Production Phase. The production phase begins as of the date of delivery of the declaration of commerciality by us to the ANP, and it lasts until the termination of the Assignment Agreement. It comprises a development period, during which we will carry out activities pursuant to a development plan approved by the ANP. Following the development period, we may start production pursuant to a notification to the ANP.

Mandatory Exploration Program

During the exploration phase, we are required to perform a mandatory working program, as specified in an annex to the Assignment Agreement. We may perform other activities outside the scope of the mandatory working program, provided that such activities are approved by the ANP.

The ANP will impose fines on us for delays in the performance of the mandatory exploration program. If the delay is less than 24 months, the fine will correspond to the amount of such non-performed activities, proportional to the number of outstanding days. If the delay is greater than 24 months, then the fine will be equal to twice the amount of the activities of the mandatory exploration program for the relevant block.

Reallocation of Volumes

The Brazilian federal government and we may negotiate the reallocation of the volume of oil and natural gas originally assigned for each block, observing the price per barrel of oil equivalent applicable to each area, in the following scenarios: (i) the relevant environmental authority does not grant a permanent license for the performance of oil and natural gas exploration and production activities in a certain block or field, or (ii) the production of the volume allotted for any block is not feasible under petroleum industry best practices due to the geological features of the reservoirs, observing the economic parameters established in the revision process (as discussed below).

Once reallocations are completed, the number of barrels of oil equivalent to be produced in the new block will equal the multiplication of (i) the number of barrels of oil equivalent that were reallocated from the original block to the new block and (ii) the value of the barrel of oil equivalent in the original block, to be divided by the value of the barrel of oil equivalent in the new block.

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If it is not possible to reallocate all of the volumes of oil and natural gas not produced by us, the reallocation procedure will be performed in part, and the Brazilian federal government will pay us the amount resulting from the multiplication of the volume not subject to the reallocation by the value of the barrel in the block to which the reallocation has been made. This dollar amount will be converted to *reais* using the average PTAX exchange rate for the purchase of U.S. dollars for the 30 days preceding the date of the reallocation process of such block, and adjusted by the SELIC rate during the period between the date of the reallocation process of such block and the date of payment by the Brazilian federal government.

If it is determined that it is not possible to reallocate any volumes of oil, natural gas and other hydrocarbons fluids as described above, the Brazilian federal government will reimburse us for an amount equivalent to total volume of barrels of oil equivalent that was not produced multiplied by the dollar price of barrel of oil equivalent applicable to the relevant block, converted in *reais* using the average PTAX exchange rate for the purchase of U.S. dollars for the 30 days preceding the date of the reallocation process, and adjusted by the SELIC rate from the date of the reallocation process of such block to the date of payment by the Brazilian federal government.

The manner and terms of payment of the reimbursement in either case will be negotiated by us and the Brazilian federal government. Payments will be made no later than three years after the conclusion of the reallocation process.

Unitization

A reservoir covered by a block assigned to us in the Assignment Agreement may extend to adjacent areas outside such block. In such case, we must notify the ANP immediately after identifying the extension and we will be prevented from performing the exploration and production activities within such block, until we have negotiated an unitization agreement with the third-party concessionaire or contractor under a different exploration and production regime who has rights over such adjacent areas. The ANP will inform such third-party that we should negotiate an "Unitization Agreement." If the adjacent area is not licensed, the Brazilian federal government shall indicate a representative to negotiate with us.

If the parties are unable to reach an agreement within a deadline established by the ANP, the agency will determine the terms and obligations related to such unitization, on the basis of an expert report, and will also notify us and the third-party or the Brazilian federal government representative, as applicable, of such determination. Until the unitization agreement is approved by the ANP, operations for the development and production of such reservoir must remain suspended, unless otherwise authorized by the ANP. Our refusal to execute the unitization agreement will imply the return to the Brazilian federal government of the area subject to the unitization process.

Licenses, Authorizations and Permissions

We are required to obtain all licenses, authorizations, permissions and rights required by applicable law, as determined by the relevant authorities or based on rights of third parties whether or not contemplated in the Assignment Agreement, that may be necessary to perform our operations under the Assignment Agreement.

Environmental

We are required to preserve the environment and protect the ecosystem in the area subject to the Assignment Agreement, to avoid damages and losses to the fauna, flora and natural resources, and we will be liable for all damages arising from our operations, including for any recovery measures in the case of damage to the environment.

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Brazilian Content

The Assignment Agreement requires us to acquire a minimum level of goods and services from Brazilian providers and to provide equal conditions for such providers to compete with foreign companies for the sale of goods and services. The minimum Brazilian content requirement is listed in the Assignment Agreement and specifies certain equipment, goods and services, as well as different levels of content requirement in accordance with the different phases and periods of the Assignment Agreement. The Brazilian content threshold is 37% for the exploration phase. For the development period, it is (i) 55% for the development periods beginning production by 2016, (ii) 58% for the development periods beginning production between 2017 and 2019, and (iii) 65% for the development periods beginning production as of 2020. Despite the minimum percentages set forth for each development period timeframes, the average global percentage of Brazilian content in the development period shall be at least 65%. If we fail to comply with the Brazilian content obligations, we may be subject to specific fines imposed by the ANP.

Royalties and expenses with Research and Development

Once we begin commercial production in each field, we will be required to pay monthly royalties in an amount equal to 10% of the oil and natural gas production. We are also required to invest 0.5% of our yearly gross revenues from oil, natural gas and other fluid hydrocarbons production under the Assignment Agreement in research and development activities related to energy and environmental issues being conducted in universities and national research and technical development institutions, public or private, previously registered with the ANP for this purpose.

Miscellaneous Provisions

- We shall not assign our rights under the Assignment Agreement.
- Any breach of the Assignment Agreement or of any regulations of the ANP caused by us may lead to administrative sanctions and fines to be imposed by the ANP, in accordance with applicable legislation and the terms of this Assignment Agreement, and respecting the due process of law.
- If our breach of the Assignment Agreement is considered by the ANP not to be significant, intentional, or a result of negligence, imprudence or recklessness, or it is proved that we worked diligently to curing such breach, the ANP may, instead of terminating the Assignment Agreement, apply the sanctions mentioned above.
- The Assignment Agreement shall terminate upon (i) the production of the maximum volume of barrels of oil equivalent as specified in the Assignment Agreement, (ii) the expiration of the term, or (iii) upon the request of the ANP, if we fail to observe the cure period established by the ANP in connection with the breach of an obligation that proves relevant for the continuation of operations in each block. Such cure period may not be less than 90 days, except in cases of extreme emergency.
- The Brazilian federal government and we will only be excused from the performance of the activities set forth in the Assignment Agreement in cases of force majeure, which includes, among others, delays in the obtaining an environmental license, provided that such delay is attributable only to the relevant environmental authority.
- The Assignment Agreement is subject to Brazilian law.

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- The Brazilian federal government and we will use our best efforts to settle any disputes amicably. If we are unable to do so, we may submit such dispute for arbitral review by the Brazilian Federal Attorney's Office (Advocacia-Geral da União Federal), which may rely on independent experts to address technical matters, or initiate a legal proceeding at the Federal Court located in Brasília, Brazil.

For information concerning our other material contracts, see Item 4. "Information on the Company" and Item 5. "Operating and Financial Review and Prospects."

PifCo

For information concerning PifCo's material contracts, see Item 4. "Information on the Company" and Item 5. "Operating and Financial Review and Prospects."

Statements contained in this annual report regarding the contents of any contract or other document are not necessarily complete, and, where the contract or other document is an exhibit to the annual report, each of these statements is qualified in all aspects by the provisions of the actual contract or other documents.

Petrobras Exchange Controls

There are no restrictions on ownership of the common or preferred shares by individuals or legal entities domiciled outside Brazil.

The right to convert dividend payments and proceeds from the sale of shares into foreign currency and to remit such amounts outside Brazil may be subject to restrictions under foreign investment legislation, which generally requires, among other things, that the relevant investments be registered with the Central Bank of Brazil. If any restrictions are imposed on the remittance of foreign capital abroad, they could hinder or prevent *Companhia Brasileira de liquidação e Custódia*, or CBLC, as custodian for the common and preferred shares represented by the ADSs, or registered holders who have exchanged ADSs for common shares or preferred shares, from converting dividends, distributions or the proceeds from any sale of such common shares or preferred shares, as the case may be, into U.S. dollars and remitting the U.S. dollars abroad.

Foreign investors may register their investment under Law No. 4,131 of September 3, 1962 or CMN Resolution No. 2,689. Registration under CMN Resolution No. 2,689 affords favorable tax treatment to foreign investors who are not resident in a tax haven, as defined by Brazilian tax laws. See "—Taxation Relating to Our ADSs and Common and Preferred Shares—Brazilian Tax Considerations."

Under CMN Resolution No. 2,689, foreign investors may invest in almost all financial assets and engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are fulfilled. In accordance with CMN Resolution No. 2,689, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered abroad.

Under CMN Resolution No. 2,689, a foreign investor must:

- appoint at least one representative in Brazil, with powers to perform actions relating to its investment;
- appoint an authorized custodian in Brazil for its investments;
- register as a foreign investor with the CVM; and
- register its foreign investment with the Central Bank of Brazil.

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Securities and other financial assets held by CMN Resolution No. 2,689 investors must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank of Brazil or the CVM. In addition, any transfer of securities held under CMN Resolution No. 2,689 must be carried out in the stock exchanges or through organized over-the-counter markets licensed by the CVM, except for transfers resulting from a corporate reorganization or occurring upon the death of an investor by operation of law or will.

Holders of ADSs who have not registered their investment with the Central Bank of Brazil could be adversely affected by delays in, or refusals to grant, any required government approval for conversions of payments made in *reais* and remittances abroad of these converted amounts.

Annex III Regulations provide for the issuance of depositary receipts in foreign markets with respect to shares of Brazilian issuers. The depositary of the ADSs has obtained from the Central Bank of Brazil an electronic certificate of registration with respect to our existing ADR program. Pursuant to the registration, the custodian and the depositary will be able to convert dividends and other distributions with respect to the relevant shares represented by ADSs into foreign currency and to remit the proceeds outside Brazil. Following the closing of an international offering, the electronic certificate of registration will be amended by the depositary with respect to the ADSs sold in the international offering and will be maintained by the Brazilian custodian for the relevant shares on behalf of the depositary.

In the event that a holder of ADSs exchanges such ADSs for the underlying shares, the holder will be entitled to continue to rely on such electronic registration for five business days after the exchange. Thereafter, unless the relevant shares are held pursuant to Resolution No. 2,689 by a duly registered investor, or a holder of the relevant shares applies for and obtains a new certificate of registration from the Central Bank of Brazil, the holder may not be able to convert into foreign currency and to remit outside Brazil the proceeds from the disposition of, or distributions with respect to, the relevant shares, and the holder, if not registered under Resolution No. 2,689, will be subject to less favorable Brazilian tax treatment than a holder of ADSs. In addition, if the foreign investor resides in a “tax haven” jurisdiction, the investor will be also subject to less favorable tax treatment. See Item 3. “Key Information—Risk Factors—Risks Relating to Our Equity and Debt Securities” and “—Taxation Relating to Our ADSs and Common and Preferred Shares—Brazilian Tax Considerations.”

PifCo

There are:

- no governmental laws, decrees or regulations in Cayman Islands that restrict the export or import of capital, including dividend and other payments to holders of notes who are not residents of the Cayman Islands, provided that such holders are not resident in countries subject to certain sanctions by the United Nations or the European Union; and
- no limitations on the right of nonresident or foreign owners imposed by Cayman Island law or PifCo’s Memorandum of Association to hold or vote PifCo’s shares.

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Taxation Relating to Our ADSs and Common and Preferred Shares

The following summary contains a description of material Brazilian and U.S. federal income tax considerations that may be relevant to the purchase, ownership and disposition of preferred or common shares or ADSs by a holder. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Brazil and the United States.

This summary is based upon the tax laws of Brazil and the United States as in effect on the date of this annual report, which are subject to change (possibly with retroactive effect). This summary is also based upon the representations of the depository and on the assumption that the obligations in the deposit agreement and any related documents will be performed in accordance with their respective terms.

This description is not a comprehensive description of the tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules that are generally applicable to all taxpayers or to certain classes of investors or rules that investors are generally assumed to know. Prospective purchasers of common or preferred shares or ADSs should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of common or preferred shares or ADSs.

There is no income tax treaty between the United States and Brazil. In recent years, the tax authorities of Brazil and the United States have held discussions that may culminate in such a treaty. We cannot predict, however, whether or when a treaty will enter into force or how it will affect the U.S. Holders of common or preferred shares or ADSs.

Brazilian Tax Considerations

General

The following discussion summarizes the material Brazilian tax consequences of the acquisition, ownership and disposition of preferred or common shares or ADSs, as the case may be, by a holder that is not deemed to be domiciled in Brazil for purposes of Brazilian taxation, also called a non-Brazilian holder.

Under Brazilian law, investors may invest in the preferred or common shares under Resolution No. 2,689 or under Law No. 4,131 of September 3, 1962. The rules of Resolution No. 2,689 allow foreign investors to invest in almost all instruments and to engage in almost all transactions available in the Brazilian financial and capital markets, provided that certain requirements are met. In accordance with Resolution No. 2,689, the definition of foreign investor includes individuals, legal entities, mutual funds and other collective investment entities, domiciled or headquartered abroad.

Pursuant to this rule, foreign investors must: (i) appoint at least one representative in Brazil with powers to perform actions relating to the foreign investment; (ii) complete the appropriate foreign investor registration form; (iii) register as a foreign investor with the CVM; and (iv) register the foreign investment with the Central Bank of Brazil.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 2,689 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank of Brazil or the CVM. In addition, securities trading is restricted to transactions carried out in the stock exchanges or organized over-the-counter markets licensed by the CVM.

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Taxation of Dividends

Dividends paid by us, including stock dividends and other dividends paid in property to the depositary in respect of the ADSs, or to a non-Brazilian holder in respect of the preferred or common shares, are currently not subject to withholding income tax in Brazil, to the extent that such amounts are related to profits generated as of January 1, 1996. Dividends relating to profits generated prior to January 1, 1996 may be subject to Brazilian withholding income tax at varying rates, depending on the year the profits were generated.

We must pay to our shareholders (including non-Brazilian holders of common or preferred shares or ADSs) interest on the amount of dividends payable to them, at the SELIC rate, from the end of each fiscal year through the date of effective payment of those dividends. These interest payments are considered as fixed-yield income and are subject to withholding income tax at varying rates depending on the length of period of interest accrual. The tax rate varies from 15%, in case of interest accrued for a period greater than 720 days, 17.5% in case of interest accrued for a period between 361 and 720 days, 20% in case of interest accrued for a period between 181 and 360 days, and to 22.5%, in case of interest accrued for a period up to 180 days. However, the withholding income tax is reduced to 15% in the case of a non-Brazilian holder of ADSs or common or preferred shares investing under Resolution No. 2,689 who is not resident or domiciled in a country or other jurisdiction that does not impose income tax or imposes it at a maximum income tax rate lower than 20% (a Low or Nil Tax Jurisdiction) or, based on the position of the Brazilian tax authorities, a country or other jurisdiction where the local legislation does not allow access to information related to the shareholding composition of legal entities, to their ownership or to the identity of the effective beneficiary of the income attributed to shareholders (the Non-Transparency Rule). See “—Clarifications on Non-Brazilian Holders Resident or Domiciled in a Low or Nil Tax Jurisdiction.”

Taxation on Interest on Shareholders' Equity

Any payment of interest on shareholders' equity to holders of ADSs or preferred or common shares, whether or not they are Brazilian residents, is subject to Brazilian withholding income tax at the rate of 15% at the time we record such liability, whether or not the effective payment is made at that time. See “— Memorandum and Articles of Incorporation of Petrobras— Payment of Dividends and Interest on Shareholders' Equity.” In the case of non-Brazilian residents that are resident in a Low or Nil Tax Jurisdiction (including in the view of Brazilian authorities the jurisdictions to which the Non-Transparency Rule applies), the applicable withholding income tax rate is 25%. See “—Clarifications on Non-Brazilian Holders Resident or Domiciled in a Low or Nil Tax Jurisdiction.” The payment of interest at the SELIC rate that is applicable to payments of dividends applies equally to payments of interest on shareholders' equity. The determination of whether or not we will make distributions in the form of interest on shareholders' equity or in the form of dividends is made by our board of directors at the time distributions are to be made. We cannot determine how our board of directors will make these determinations in connection with future distributions.

Taxation of Gains

For purposes of Brazilian taxation on capital gains, two types of non-Brazilian holders have to be considered: (i) non-Brazilian holders of ADSs, preferred shares or common shares that are not resident or domiciled in a Low or Nil Tax Jurisdiction, and that, in the case of preferred or common shares have registered before the Central Bank of Brazil and the CVM in accordance with Resolution No. 2,689; and (ii) any other non-Brazilian holder, including non-Brazilian holders who invest in Brazil not in accordance with Resolution No. 2,689 (including registration under Law No. 4,131 of 1962) and who are resident or domiciled in a Low or Nil Tax Jurisdiction. See “—Clarifications on Non-Brazilian Holders Resident or Domiciled in a Low or Nil Tax Jurisdiction.”

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According to Law No. 10,833, dated December 29, 2003, capital gains realized on the disposition of assets located in Brazil by non-Brazilian holders, whether or not to other non-residents and whether made outside or within Brazil, may be subject to taxation in Brazil. With respect to the disposition of common or preferred shares, as they are assets located in Brazil, the non-Brazilian holder may be subject to income tax on any gains realized, following the rules described below, regardless of whether the transactions are conducted in Brazil or with a Brazilian resident. We understand the ADSs do not fall within the definition of assets located in Brazil for the purposes of this law, but there is still neither pronouncement from tax authorities nor judicial court rulings in this respect. Therefore, we are unable to predict whether such understanding will prevail in the courts of Brazil.

Although there are grounds to sustain otherwise, the deposit of preferred or common shares in exchange for ADSs may be subject to Brazilian taxation on capital gains if the acquisition cost of the preferred or common shares is lower than: (i) the average price per preferred or common share on a Brazilian stock exchange on which the greatest number of such shares were sold on the day of deposit; or (ii) if no preferred or common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred or common shares were sold in the 15 trading sessions immediately preceding such deposit. In such a case, the difference between the amount previously registered and the average price of the preferred or common shares calculated as above, will be considered a capital gain.

The difference between the acquisition cost and the average price of the preferred or common shares calculated as described above will be considered to be a capital gain realized that is subject to taxation as described below. There are grounds to sustain that such taxation is not applicable with respect to non-Brazilian holders registered under the rules of Resolution No. 2,689 and not resident or domiciled in a Low or Nil Tax Jurisdiction.

The withdrawal of ADSs in exchange for preferred or common shares should not be considered as giving rise to a capital gain subject to Brazilian income tax, provided that on receipt of the underlying preferred or common shares, the non-Brazilian holder complies with the registration procedure with the Central Bank of Brazil as described below in "Registered Capital."

Capital gains realized by a non-Brazilian holder on a sale or disposition of preferred or common shares carried out on a Brazilian stock exchange (which includes transactions carried out on the organized over-the-counter market) are:

- exempt from income tax when the non-Brazilian holder (i) has registered its investment in accordance with Resolution No. 2,689 and (ii) is not resident or domiciled in a Low or Nil Tax Jurisdiction; or
- in all other cases, including a case of capital gains realized by a non-Brazilian holder that is not registered in accordance with Resolution No. 2,689 and/or is resident or domiciled in a Low or Nil Tax Jurisdiction, subject to income tax at a 15% rate. In these cases, a withholding income tax at a rate of 0.005% of the sale value is levied on the transaction which can be offset against the eventual income tax due on the capital gain.

Any capital gains realized on a disposition of preferred or common shares that is carried out outside the Brazilian stock exchange are subject to income tax at the rate of 15%, or 25% in case of gains realized by a non-Brazilian holder that is domiciled or resident in a Low or Nil Tax Jurisdiction or a jurisdiction to which the Non-Transparency Rule applies. In this last case, for the capital gains related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% will also apply and can be offset against the eventual income tax due on the capital gain.

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In the case of a redemption of preferred or common shares or ADSs or a capital reduction made by us, the positive difference between the amount received by the non-Brazilian holder and the acquisition cost of the preferred or common shares or ADSs redeemed or reduced is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange market and is therefore generally subject to income tax at the rate of 15% or 25%, as the case may be. See “—Clarifications on Non-Brazilian Holders Resident or Domiciled in a Low or Nil Tax Jurisdiction.”

Any exercise of preemptive rights relating to the preferred or common shares will not be subject to Brazilian taxation. Any gain on the sale or assignment of preemptive rights will be subject to Brazilian income taxation according to the same rules applicable to the sale or disposition of preferred or common shares.

No assurance can be made that the current preferential treatment of non-Brazilian holders of the ADSs and some non-Brazilian holders of the preferred or common shares under Resolution No. 2,689 will continue to apply in the future.

Clarifications on Non-Brazilian Holders Resident or Domiciled in a Low or Nil Tax Jurisdiction

Law No. 9,779 of January 1, 1999 states that, except for limited prescribed circumstances, income derived from transactions by a person resident or domiciled in a Low or Nil Tax Jurisdiction will be subject to withholding income tax at the rate of 25%. A Low or Nil Tax Jurisdiction is generally considered to be a country or other jurisdiction which does not impose any income tax or which imposes such tax at a maximum rate lower than 20%. Under certain circumstances, the Non-Transparency Rule is also taken into account for determining whether a country or other jurisdiction is a Low or Nil Tax Jurisdiction. In addition, Law No. 11,727 of June 23, 2008 introduced the concept of a “privileged tax regime”, which is defined as a tax regime which (i) does not tax income or taxes it at a maximum rate lower than 20%; (ii) grants tax benefits to non-resident entities or individuals (a) without the requirement to carry out a substantial economic activity in the country or other jurisdiction or (b) contingent on the non-exercise of a substantial economic activity in the country or other jurisdiction; or (iii) does not tax or that taxes foreign source income at a maximum rate lower than 20%; or (iv) does not provide access to information related to shareholding composition, ownership of assets and rights or economic transactions carried out. We believe that the best interpretation of Law No. 11,727/08 is that the new concept of a “privileged tax regime” will apply solely for purposes of the transfer pricing rules in export and import transactions, deductibility for Brazilian corporate income taxes and the thin capitalization rules and, would therefore generally not have an impact on the taxation of a non-Brazilian holder of preferred or common shares or ADSs, as discussed herein. However, we are unable to ascertain whether the privileged tax regime concept will also apply in the context of the rules applicable to Low or Nil Tax Jurisdictions, although the Brazilian tax authorities appear to agree with our position, in view of the provisions of the recently introduced Normative Ruling No. 1,037 of June 4, 2010.

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Taxation of Foreign Exchange Transactions (IOF/Exchange)

Brazilian law imposes the IOF/Exchange on the conversion of reais into foreign currency and on the conversion of foreign currency into *reais*. Currently, for most foreign currency exchange transactions, the rate of IOF/Exchange is 0.38%. However, foreign exchange transactions related to inflows of funds to Brazil for investments made by foreign investors in the Brazilian financial and capital markets are generally subject to IOF/Exchange at a rate of 6%, except for foreign exchange transactions in connection with (i) investments in variable income carried out in the Brazilian stock, commodities and/or future exchanges (except for derivatives with predetermined income), (ii) acquisitions of stock of Brazilian publicly traded companies in a public offer, and (iii) subscriptions of stock of Brazilian publicly traded companies, which are subject to IOF/Exchange at a zero percent rate. Foreign exchange transactions related to outflows of proceeds from Brazil in connection with investments made by foreign investors in the Brazilian financial and capital markets are also subject to the IOF/Exchange tax at a zero percent rate. This zero percent rate applies to payments of dividends and interest on shareholders' equity received by foreign investors with respect to investments in the Brazilian financial and capital markets, such as investments made by a non-Brazilian holder as provided for in Resolution No. 2,689. The Brazilian Executive Branch may increase such rates at any time, up to 25% of the amount of the foreign exchange transaction, but not with retroactive effect.

Taxation on Bonds and Securities Transactions (IOF/Bonds)

Brazilian law imposes IOF/Bonds on transactions involving equity securities, bonds and other securities, including those carried out on a Brazilian stock exchange. The rate of IOF/Bonds applicable to transactions involving preferred or common shares is currently zero. However, the Brazilian government may increase such rate at any time up to 1.5% of the transaction amount per day, but the tax cannot be applied retroactively. The deposit of preferred or common shares for issuance of ADSs is subject to IOF/Bonds at a rate of 1.5%.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of preferred or common shares or ADSs by a non-Brazilian holder, except for gift and inheritance taxes which are levied by certain states of Brazil on gifts made or inheritances bestowed by a non-Brazilian holder to individuals or entities resident or domiciled within such states in Brazil. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of preferred or common shares or ADSs.

Registered Capital

The amount of an investment in preferred or common shares held by a non-Brazilian holder who obtains registration under Resolution No. 2,689, or by the depositary representing such holder, is eligible for registration with the Central Bank of Brazil; such registration (the amount so registered being called registered capital) allows the remittance outside Brazil of foreign currency, converted at the commercial market rate, acquired with the proceeds of distributions on, and amounts realized with respect to dispositions of, such preferred or common shares. The registered capital for each preferred or common share purchased as part of the international offering or purchased in Brazil after the date hereof, and deposited with the depositary will be equal to its purchase price (in U.S. dollars). The registered capital for a preferred or common share that is withdrawn upon surrender of an ADS will be the U.S. dollar equivalent of:

- (a) the average price of a preferred or common share on the Brazilian stock exchange on which the greatest number of such shares were sold on the day of withdrawal; or
- (b) if no preferred or common shares were sold on that day, the average price on the Brazilian stock exchange on which the greatest number of preferred or common shares were sold in the 15 trading sessions immediately preceding such withdrawal.

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The U.S. dollar value of the average price of preferred or common shares is determined on the basis of the average of the U.S. dollar/*real* commercial market rates quoted by the Central Bank of Brazil information system on that date (or, if the average price of preferred or common shares is determined under the second option above, the average of such average quoted rates on the same 15 dates used to determine the average price of preferred or common shares).

A non-Brazilian holder of preferred or common shares may experience delays in effecting such registration, which may delay remittances abroad. Such a delay may adversely affect the amount, in U.S. dollars, received by the non-Brazilian holder. See Item 3. “Key Information—Risk Factors—Risks Relating to Our Equity and Debt Securities.”

U.S. Federal Income Tax Considerations

This summary describes the principal U.S. federal income tax consequences of the ownership and disposition of common or preferred shares or ADSs, based on the U.S. Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed U.S. Treasury regulations promulgated thereunder, published rulings by the U.S. Internal Revenue Service (IRS), and court decisions, all as in effect as of the date hereof, and all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary does not purport to be a comprehensive description of all of the tax consequences that may be relevant to a decision to hold or dispose of common or preferred shares or ADSs. This summary applies only to purchasers of common or preferred shares or ADSs who hold the common or preferred shares or ADSs as “capital assets” (generally, property held for investment), and does not apply to special classes of holders such as dealers or traders in securities or currencies, holders whose functional currency is not the U.S. dollar, holders of 10% or more of our shares (taking into account shares held directly or through depository arrangements), tax-exempt organizations, partnerships or partners therein, financial institutions, holders liable for the alternative minimum tax, securities traders who elect to account for their investment in common or preferred shares or ADSs on a mark-to-market basis, persons that enter into a constructive sale transaction with respect to common or preferred shares or ADSs, and persons holding common or preferred shares or ADSs in a hedging transaction or as part of a straddle or conversion transaction.

EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING THE OVERALL TAX CONSEQUENCES IN ITS PARTICULAR CIRCUMSTANCES, INCLUDING THE CONSEQUENCES UNDER LAWS OTHER THAN U.S. FEDERAL INCOME TAX LAWS, OF AN INVESTMENT IN COMMON OR PREFERRED SHARES OR ADSs.

Shares of our preferred stock will be treated as equity for U.S. federal income tax purposes. In general, a holder of an ADS will be treated as the holder of the shares of common or preferred stock represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange ADSs for the shares of common or preferred stock represented by that ADS.

In this discussion, references to ADSs refer to ADSs with respect to both common and preferred shares, and references to a “U.S. Holder” are to a holder of an ADS that is:

- an individual who is a citizen or resident of the United States;
- a corporation organized under the laws of the United States, any state thereof, or the District of Columbia;
or
- otherwise subject to U.S. federal income taxation on a net basis with respect to the shares or the ADS.

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Taxation of Distributions

A U.S. Holder will recognize ordinary dividend income for U.S. federal income tax purposes in an amount equal to the amount of any cash and the value of any property we distribute as a dividend to the extent that such distribution is paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes, when such distribution is received by the custodian, or by the U.S. Holder in the case of a holder of common or preferred shares. The amount of any distribution will include distributions characterized as interest on shareholders' equity and the amount of Brazilian tax withheld on the amount distributed, and the amount of a distribution paid in *reais* will be measured by reference to the exchange rate for converting *reais* into U.S. dollars in effect on the date the distribution is received by the custodian, or by a U.S. Holder in the case of a holder of common or preferred shares. If the custodian, or U.S. Holder in the case of a holder of common or preferred shares, does not convert such *reais* into U.S. dollars on the date it receives them, it is possible that the U.S. Holder will recognize foreign currency loss or gain, which would be U.S. source ordinary loss or gain, when the *reais* are converted into U.S. dollars. Dividends paid by us will not be eligible for the dividends received deduction allowed to corporations under the Code.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by a non-corporate U.S. Holder prior to January 1, 2013, with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a "passive foreign investment company" as defined for U.S. federal income tax purposes (a PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on the Company's audited financial statements and relevant market and shareholder data, the Company believes that it should not be treated as a PFIC for U.S. federal income tax purposes with respect to its 2010 or 2011 taxable year. In addition, based on the Company's audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2011 taxable year. Based on existing guidance, it is not clear whether dividends received with respect to the shares will be treated as qualified dividends, because the shares are not themselves listed on a U.S. exchange. In addition, the U.S. Treasury has announced its intention to promulgate rules pursuant to which holders of ADSs and intermediaries through whom such securities are held will be permitted to rely on certifications from issuers to treat dividends as qualified for tax reporting purposes. Because such procedures have not yet been issued, it is not clear whether the Company would be able to comply with these procedures. U.S. Holders of our ADSs should consult their own tax advisors regarding the availability of the reduced dividend tax rate in the light of their particular circumstances.

Distributions out of earnings and profits with respect to the shares or ADSs generally will be treated as dividend income from sources outside of the United States and generally will be treated as "passive category income" for U.S. foreign tax credit purposes. Subject to certain limitations, Brazilian income tax withheld in connection with any distribution with respect to the shares or ADSs may be claimed as a credit against the U.S. federal income tax liability of a U.S. Holder, or, at the U.S. Holder's election, such Brazilian withholding tax may be taken as a deduction against taxable income. A U.S. foreign tax credit may not be allowed for Brazilian withholding tax imposed in respect of certain short-term or hedged positions in securities or in respect of arrangements in which a U.S. Holder's expected economic profit is insubstantial. U.S. Holders should consult their own tax advisors regarding the availability of the U.S. foreign tax credit, including the translation of *reais* into U.S. dollar for these purposes, in light of their particular circumstances.

Holders of ADSs that are foreign corporations or nonresident alien individuals (non-U.S. Holders) generally will not be subject to U.S. federal income tax, including withholding tax, on distributions with respect to shares or ADSs that are treated as dividend income for U.S. federal income tax purposes unless such dividends are effectively connected with the conduct by the holder of a trade or business in the United States.

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Holders of shares and ADSs should consult their own tax advisers regarding the availability of the reduced dividend tax rate in the light of the considerations discussed above and their own particular circumstances.

Taxation of Capital Gains

Upon the sale or other disposition of a share or an ADS, a U.S. Holder will generally recognize U.S. source capital gain or loss for U.S. federal income tax purposes, equal to the difference between the amount realized on the disposition and the U.S. Holder's tax basis in such share or ADS. Any gain or loss will be long-term capital gain or loss if the shares or ADSs have been held for more than one year. Non-corporate U.S. Holders of shares or ADSs may be eligible for a preferential rate of U.S. federal income tax in respect of long-term capital gains. Capital losses may be deducted from taxable income, subject to certain limitations. For U.S. federal income tax purposes, such disposition would not result in foreign source-income to a U.S. Holder. As a result, a U.S. Holder may not be able to use the foreign tax credit associated with any Brazilian income taxes imposed on such gains, unless such holder can use the credit against U.S. tax due on other foreign-source income. U.S. Holders should consult their own tax advisers regarding the availability of the U.S. foreign tax credit, including the translation of *reais* into U.S. dollar for purposes of their investment in our shares or ADSs.

A non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on gain realized on the sale or other disposition of a share or an ADS, unless:

- such gain is effectively connected with the conduct by the holder of a trade or business in the United States; or
- such holder is an individual who is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Information Reporting and Backup Withholding

The payment of dividends on, and proceeds from the sale or other disposition of, the ADSs or common or preferred shares to a U.S. Holder within the United States (or through certain U.S. related financial intermediaries) will generally be subject to information reporting unless the U.S. Holder is a corporation or other exempt recipient. Such dividends and proceeds may be subject to backup withholding unless the U.S. Holder (i) is an exempt recipient, or (ii) timely provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, so long as the required information is properly furnished to the IRS.

U.S. Holders should consult their own tax advisers about any additional reporting requirements that may arise as a result of their purchasing, holding or disposing of our ADSs, or common or preferred shares.

A non-U.S. Holder generally will be exempt from these information reporting requirements and backup withholding tax, but may be required to comply with certain certification and identification procedures in order to establish its eligibility for such exemption.

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Taxation Relating to PifCo's Notes

The following summary contains a description of material Cayman Islands, Brazilian and U.S. federal income tax considerations that may be relevant to the purchase, ownership, and disposition of PifCo's debt securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the Cayman Islands, Brazil and the United States.

This summary is based on the tax laws of the Cayman Islands, Brazil and the United States as in effect on the date of this annual report, which are subject to change (possibly with retroactive effect). This description is not a comprehensive description of all tax considerations that may be relevant to any particular investor, including tax considerations that arise from rules generally applicable to all taxpayers or to certain classes of investors or that investors are generally assumed to know. Prospective purchasers of notes should consult their own tax advisors regarding the tax consequences of the acquisition, ownership and disposition of the notes.

There is no tax treaty to avoid double taxation between the Cayman Islands and the United States, the Cayman Islands and Brazil or Brazil and the United States. In recent years, the tax authorities of Brazil and the United States have held discussions that may culminate in such a treaty. We cannot predict, however, whether or when a treaty will enter into force or how it will affect the U.S. Holders of notes.

Cayman Islands Taxation

Under current law, PifCo is not subject to income, capital, transfer, sales or other taxes in the Cayman Islands.

PifCo was incorporated as an exempted company under the laws of the Cayman Islands on September 24, 1997. PifCo has received an Undertaking as to Tax Concessions pursuant to Section 6 of the Tax Concessions Law (1999 Revision) which provides that, for a period of twenty years from the date thereof no law hereafter enacted in the Cayman Islands imposing any tax or duty to be levied on income or on capital assets, gains or appreciation will apply to any of PifCo's income or property and which is deemed to provide that no tax is to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable or in respect of shares, debentures or other of PifCo's obligations, or by way of withholding of any part of a payment of principal due under a debenture or other of PifCo's obligations.

No Cayman Islands withholding tax applies to distributions by PifCo in respect of the notes. Noteholders are not subject to any income, capital, transfer, sales or other taxes in the Cayman Islands in respect of their purchase, holding or disposition of the notes.

Noteholders whose notes are brought into or issued in the Cayman Islands will be liable to pay stamp duty of up to C.I.\$250 on each note, unless stamp duty of C.I.\$500 has been paid in respect of the entire issue of notes (in which case no further stamp duty in respect of such notes is payable).

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Brazilian Taxation

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

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

Generally, an individual, entity, trust or organization domiciled for tax purposes outside Brazil, or a “Non-resident,” is taxed in Brazil only when income is derived from Brazilian sources or when the transaction giving rise to such earnings involves assets in Brazil. Therefore, any gains or interest (including original issue discount), fees, commissions, expenses and any other income paid by PifCo in respect of the notes issued by it in favor of Non-resident holders are not subject to Brazilian taxes.

Interest, fees, commissions, expenses and any other income payable by Petrobras as guarantor resident in Brazil to a Non-resident are generally subject to income tax withheld at source. The rate of withholding income tax in respect of interest payments is generally 15%, unless (i) the holder of the notes is resident or domiciled in a “tax haven jurisdiction” (that is deemed to be a country or jurisdiction which does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20% or where the local legislation imposes restrictions on disclosing the identities of shareholders, the ownership of investments, or the ultimate beneficiary of earnings distributed to the Non-resident— “tax haven jurisdiction”), in which case the applicable rate is 25% or (ii) such other lower rate as provided for in an applicable tax treaty between Brazil and another country where the beneficiary is domiciled. In case the guarantor is required to assume the obligation to pay the principal amount of the notes, Brazilian tax authorities could attempt to impose withholding income tax at the rate of up to 25% as described above. Although Brazilian legislation does not provide a specific tax rule for such cases and there is no official position from tax authorities or precedents from the Brazilian court regarding the matter, we believe that the remittance of funds by Petrobras as a guarantor for the payment of the principal amount of the notes will not be subject to income tax in Brazil, because the mere fact that the guarantor is making the payment does not convert the nature of the principal due under the notes into income of the beneficiary.

If the payments with respect to the notes are made by Petrobras, as provided for in the guaranties, the Non-resident holders will be indemnified so that, after payment of all applicable Brazilian taxes collectable by withholding, deduction or otherwise, with respect to principal, interest and additional amounts payable with respect to the notes (plus any interest and penalties thereon), a Non-resident holder will receive an amount equal to the amount that such Non-resident holder would have received as if no such Brazilian taxes (plus interest and penalties thereon) were withheld. The Brazilian obligor will, subject to certain exceptions, pay additional amounts in respect of such withholding or deduction so that the Non-resident holder receives the net amount due.

Gains on the sale or other disposition of the notes made outside of Brazil by a Non-resident, other than a branch or a subsidiary of Brazilian resident, to another Non-resident are not subject to Brazilian income tax.

In addition, payments made from Brazil are subject to the tax on foreign exchange transactions (*IOF/Câmbio*), which is levied on the conversion of Brazilian currency into foreign currency and on the conversion of foreign currency into Brazilian currency at a general rate of 0.38%. Other IOF/Câmbio rates may apply to specific transactions. In any case, the Brazilian federal government may increase, at any time, such rate up to 25% but only with respect to future transactions.

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

U.S. Federal Income Taxation

The following summary sets forth certain United States federal income tax considerations that may be relevant to a holder of a note that is, for U.S. federal income purposes, a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the notes (a "U.S. Holder"). This summary is based upon the Code, its legislative history, existing and proposed U.S. Treasury regulations promulgated thereunder, published rulings by the IRS, and court decisions, all as in effect as of the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect. This summary does not purport to discuss all aspects of the United States federal income taxation which may be relevant to special classes of investors, such as financial institutions, insurance companies, dealers or traders in securities or currencies, securities traders who elect to account for their investment in notes on a mark-to-market basis, regulated investment companies, tax-exempt organizations, partnerships or partners therein, holders that are subject to the alternative minimum tax, certain short-term holders of notes, persons that hedge their exposure in the notes or hold notes as part of a position in a "straddle" or as part of a hedging transaction or "conversion transaction" for U.S. federal tax purposes, persons that enter into a "constructive sale" transaction with respect to the notes or U.S. Holder whose functional currency is not the U.S. dollar. U.S. Holders should be aware that the U.S. federal income tax consequences of holding the notes may be materially different for investors described in the prior sentence.

In addition, this summary does not discuss any foreign, state or local tax considerations. This summary only applies to original purchasers of notes who have purchased notes at the original issue price and hold the notes as "capital assets" (generally, property held for investment).

EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR CONCERNING THE OVERALL TAX CONSEQUENCES IN ITS PARTICULAR CIRCUMSTANCES, INCLUDING THE CONSEQUENCES UNDER LAWS OTHER THAN U.S. FEDERAL INCOME TAX LAWS, OF AN INVESTMENT IN THE NOTES.

Payments of Interest

Payment of "qualified stated interest," as defined below, on a note (including additional amounts, if any) generally will be taxable to a U.S. holder as ordinary interest income when such interest is accrued or received, in accordance with the U.S. holder's applicable method of accounting for U.S. federal tax purposes. In general, if the "issue price" of a note is less than the "stated redemption price at maturity" by more than a *de minimis* amount, such note will be considered to have "original issue discount," or OID. The "issue price" of a note is the first price at which a substantial amount of such notes are sold to investors. The stated redemption price at maturity of a note generally includes all payments other than payments of qualified stated interest.

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In general, each U.S. Holder of a note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in gross income as ordinary interest income the sum of the “daily portions” of OID on the note, if any, for all days during the taxable year that the U.S. Holder owns the note. The daily portions of OID on a note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. In general, in the case of an initial holder, the amount of OID on a note allocable to each accrual period is determined by (i) multiplying the “adjusted issue price,” as defined below, of the note at the beginning of the accrual period by the yield to maturity of the note, and (ii) subtracting from that product the amount of qualified stated interest allocable to that accrual period. U.S. Holders should be aware that they generally must include OID in gross income as ordinary interest income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income. The “adjusted issue price” of a note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such note in all prior accrual periods. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of a note at a single fixed rate of interest, or subject to certain conditions, based on one or more interest indices.

Interest income, including OID, in respect of the notes will constitute foreign source income for U.S. federal income tax purposes and, with certain exceptions, will be treated separately, together with other items of “passive category income,” for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The calculation of foreign tax credits, involves the application of complex rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of additional amounts.

Sale or Disposition of Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other disposition of a note in an amount equal to the difference between the amount realized upon such sale, exchange, retirement or other disposition (other than amounts attributable to accrued qualified stated interest, which will be taxed as such) and such U.S. Holder’s adjusted tax basis in the note. A U.S. Holder’s adjusted tax basis in the note generally will equal the U.S. Holder’s cost for the note increased by any amounts included in gross income by such U.S. Holder as OID, if any, and reduced by any payments other than payments of qualified stated interest on that note. Gain or loss realized by a U.S. Holder on the sale, exchange, retirement or other disposition of a note generally will be U.S. source gain or loss for U.S. federal income tax purposes unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. The gain or loss realized by a U.S. Holder will be capital gain or loss, and will be long-term capital gain or loss if the notes were held for more than one year. The net amount of long-term capital gain recognized by an individual holder before January 1, 2013 generally is subject to taxation at a maximum rate of 15%. Capital losses may be deducted from taxable income, subject to certain limitations.

Backup Withholding and Information Reporting

A U.S. Holder may, under certain circumstances, be subject to “backup withholding” with respect to certain payments to that U.S. Holder, unless the holder (i) is an exempt recipient, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules generally will be creditable against the U.S. Holder’s U.S. federal income tax liability. While non-U.S. Holders generally are except from backup withholding, a non-U.S. Holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove entitlement to this exemption.

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U.S. Holders should consult their own tax advisors about any additional reporting requirements that may arise as a result of their purchasing, holding or disposing of the notes.

Non-U.S. Holder

A holder or beneficial owner of a note that is not a U.S. Holder (a “non-U.S. Holder”) generally will not be subject to U.S. federal income or withholding tax on interest received on the notes. In addition, a non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale of notes unless such gain is effectively connected with the conduct by such holder of a trade or business in the United States or, in the case of gain realized by an individual non-U.S. Holder, the non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Documents on Display

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and accordingly file reports and other information with the SEC. Reports and other information filed by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain further information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also inspect Petrobras’ reports and other information at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, on which Petrobras’ ADSs are listed. Our SEC filings are also available to the public from the SEC’s Web site at <http://www.sec.gov>. For further information on obtaining copies of Petrobras’ public filings at the New York Stock Exchange, you should call (212) 656-5060.

We also file financial statements and other periodic reports with the CVM.

Item 11. Qualitative and Quantitative Disclosures about Market Risk

Petrobras

Risk Management

We are exposed to a number of risks arising from our operations. Such risks include the possibility that changes in prices of oil and oil products, foreign currency exchange rates or interest rates may adversely affect the value of our financial assets, liabilities, future cash flows and earnings.

We are also exposed to the credit risk of customers and financial institutions, arising from our business operations and cash management. Such risks involve the possibility of the non-receipt of sales made and amounts invested, deposited or guaranteed by financial institutions.

We adopt the practice of integrated risk management according to which management focuses not on the individual risks of operations or business units, but takes a wider view of the consolidated corporation, capturing possible natural hedges where available. For the management of market risk, financial structural actions are taken through the proper management of capital and indebtedness of the company rather than the use of derivative financial instruments.

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Commodity Price Risk

Our sales of crude oil and oil products are related to international prices, which exposes us to price fluctuations in international markets.

For the purposes of managing our exposure to price fluctuations, we avoid, whenever possible and reasonable, the use of derivatives for hedging systemic operations (namely, buying and selling oil and products in order to provide for our operational needs).

The derivatives transactions are intended to protect the expected results of the transactions carried out abroad. Our derivatives contracts provide economic hedges for anticipated crude oil and byproducts purchases and sales in the international markets, generally forecast to occur within a 30- to 360-day period. Our exposure on these contracts is limited to the difference between contract value and market value on the volumes hedged. See Note 31 to our audited consolidated financial statements for more information about our commodity derivative transactions.

The following table sets forth a sensitivity analysis demonstrating the net change in fair value of a 10% adverse change in the price of the underlying commodity as of December 31, 2011, which is a 10% increase in the price of the underlying commodity for options, futures and swaps.

Outstanding as of December 2011	Petrobras		
	Quantity (mbbl)	Fair Value(1) (U.S.\$ million)	+10% Sensitivity (U.S.\$ million)
Options:			
Buy contracts	6,728		
Sell contracts	(7,458)		
		(2)	(2)
Futures:			
Buy contracts	30,193		
Sell contracts	(36,410)		
		18	(121)
Swaps:			
Receive variable/pay fixed	275		
Receive fixed/pay variable	0		
		0	0

(1) Fair value represents an estimate of gain or loss that would be realized if contracts were settled at the balance sheet date.

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Interest Rate and Exchange Rate Risk

The table below provides summary information regarding our exposure to interest rate and exchange rate risk in our total debt portfolio for 2011 and 2010. Total debt portfolio includes long-term debt, capital leases, project financings, and current portions thereof, and short-term debt.

	Total Debt Portfolio	
	2011	2010
	(%)	
Real-denominated:		
Fixed rate	0.3	0.3
Floating rate	23.4	25.0
Sub-total	23.7	25.3
U.S. dollar-denominated:(1)		
Fixed rate	39.1	39.0
Floating rate (includes short-term debt)	31.0	33.5
Sub-total	70.1	72.5
Other currencies:		
Fixed rate	4.7	0.4
Floating rate	1.5	1.8
Sub-total	6.2	2.2
Total	100.0	100.0
Floating rate debt:		
<i>Real</i> -denominated	23.4	25.0
Foreign currency-denominated	32.6	35.3
Fixed rate debt:		
<i>Real</i> -denominated	0.3	0.3
Foreign currency denominated	43.7	39.4
Total	100.0	100.0
U.S. dollars(1)	70.1	72.5
Euro	3.0	0.0
GBP	1.3	0.0
Japanese Yen	1.9	2.2
Brazilian <i>reais</i>	23.7	25.3
Total	100.00	100.0

(1) Includes PifCo's 2.15% Japanese Yen Bonds due 2016, where payment of principal and interest has been fixed in U.S. dollars under the cross currency swap described below.

In general, our foreign currency floating rate debt is principally subject to fluctuations in LIBOR. Our floating rate debt denominated in *reais* is principally subject to fluctuations in the *Certificado de Depósito Interbancário* (Interbank Deposit Certificate, or CDI) and in the *Taxa de Juros de Longo Prazo* (Brazilian long-term interest rate, or TJLP), as fixed by the CMN.

We do not currently utilize derivative instruments to manage our exposure to interest rate fluctuation. We have been considering various forms of derivatives to reduce our exposure to interest rate fluctuations and may utilize these financial instruments in the future.

The exchange rate risk to which we are exposed is limited to the balance sheet and derives principally from the incidence of non-*real* denominated obligations in our debt portfolio. See Item 5. "Operating and Financial Review and Prospects—Inflation and Exchange Rate Variation."

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The table below provides information about our total debt obligations as of December 31, 2011, which are sensitive to changes in interest rates and exchange rates. This table presents, by expected maturity dates and currency, the principal cash flows and related average interest rates of these obligations. Variable interest rates are based on the applicable reference rate, LIBOR, TJLP, IGP-M or CDI as of December 31, 2011.

	2012	2013	2014	2015	2016	2017-2041	Total	Fair Value as of December 31, 2011
(U.S.\$ million, except for percentages)								
Debt in GBP:								
Fixed rate debt	–	–	–	–	–	1,088	1,088	1,069
Average interest rate	–	–	–	–	–	6.3%	–	–
Debt in Euro:								
Fixed rate debt	–	–	–	–	–	2,397	2,397	2,371
Average interest rate	–	–	–	–	–	5.2%	–	–
Variable rate debt	9	9	9	7	–	–	34	32
Average interest rate	1.6%	1.7%	1.6%	1.7%	–	–	–	–
Debt in Japanese Yen:								
Fixed rate debt	263	77	–	–	–	–	341	343
Average interest rate	3.3%	1.7%	–	–	–	–	–	–
Variable rate debt	155	296	166	166	166	294	1,244	1,181
Average interest rate	0.9%	1.2%	1.0%	1.0%	1.1%	1.5%	–	–
Debt in U.S. dollars:(1)								
Fixed rate debt	238	724	530	112	4,470	25,975	32,048	37,854
Average interest rate	5.1%	8.1%	7.2%	4.1%	4.6%	6.9%	–	–
Variable rate debt	6,714	464	2,051	3,864	2,785	9,576	25,454	24,881
Average interest rate	2.5%	1.5%	2.4%	3.0%	3.3%	4.2%	–	–
Debt in Brazilian reais:								
Fixed rate debt	22	33	33	33	33	115	270	248
Average interest rate	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%	–	–
Variable rate debt	1,832	833	1,697	1,170	5,813	7,828	19,173	19,332
Average interest rate	10.2%	9.7%	10.3%	9.9%	10.8%	9.9%	–	–
Total debt obligations.	9,232	2,436	4,487	5,353	13,267	47,273	82,048	87,311

(1) Includes PifCo's 2.15% Japanese Yen Bonds due 2016, where payment of principal and interest has been fixed in U.S. dollars under the cross currency swap described below.

Our foreign currency risk management strategy includes the use of derivative instruments to protect against foreign exchange rate volatility, which may impact the value of certain of our obligations.

PifCo

PifCo faces market risks in the normal course of business, including interest rate risk, risk related to changes in oil and oil products prices, and risk related to changes in foreign exchange rates. PifCo makes limited use of derivatives to manage its exposure to these market risks.

Commodity Price Risk

In the past, PifCo entered into derivative transactions in order to mitigate the impact of fluctuations in the price of crude oil and byproducts. PifCo used futures contracts, swaps and options to protect its margins in anticipation of purchases and sales in the international markets. PifCo does not hold derivative instruments for trading purposes as at December 31, 2011.

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Interest Rate and Exchange Rate Risk

PifCo is exposed to market risks through eventual variations in interest rates or exchange rates, which may negatively affect the value of the company's financial assets and liabilities. PifCo follows the risk management policies of Petrobras.

The table below sets forth the amounts and related weighted average annual interest rates by expected maturity dates for PifCo's long-term debt obligations at December 31, 2011:

Debt Obligations	2013	2014	2015	2016	2017	2018-2042	Total	Fair Value as of December 31, 2011
(U.S.\$ million, except for percentages)								
Debt in GBP:								
Fixed rate debt	–	–	–	–	–	1,088	1,088	1,069
Average interest rate	–	–	–	–	–	6.3%	–	–
Debt in Euro:								
Fixed rate debt	–	–	–	–	–	2,397	2,397	2,371
Average interest rate	–	–	–	–	–	5.2%	–	–
Debt in U.S. Dollars:(1)								
Fixed rate debt	374	398	–	3,854	–	12,473	17,099	19,465
Average interest rate	9.1%	7.8%	–	4.2%	–	6.5%	–	–
Variable rate debt	103	109	50	14	70	–	346	341
Average interest rate	2.0%	1.9%	2.6%	2.9%	3.1%	–	–	–
Total debt obligations	477	507	50	3,868	70	15,958	20,930	23,245

(1) Includes PifCo's 2.15% Japanese Yen Bonds due 2016, where payment of principal and interest has been fixed in U.S. dollars under the cross currency swap described below.

Total Debt Portfolio	December 31, 2011	December 31, 2010
Debt in GBP:		
Fixed rate debt	4.6%	0.0%
Floating rate debt	0.0%	0.0%
Debt in Euro:		
Fixed rate debt	10.2%	0.0%
Floating rate debt	0.0%	0.0%
Debt in U.S. Dollars:(1)		
Fixed rate debt	72.8%	78.8%
Floating rate debt	12.4%	21.2%
Total debt portfolio	100.0%	100.0%

(1) Includes PifCo's 2.15% Japanese Yen Bonds due 2016, where payment of principal and interest has been fixed in U.S. dollars under the cross currency swap described below.

PifCo's long-term financings in U.S. dollars are derived mainly from notes and commercial banks, including trade lines of credit. The interest rates for PifCo's long-term banking financings range from 1.57% to 3.38% at December 31, 2011.

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The table below sets forth the value of PifCo's cross currency swap, in which it swaps principal and interest payments on Yen denominated funding into U.S. dollar amounts.

Cross Currency Swaps Maturing in 2016	Interest Rate (%)	Notional Amount (Japanese Yen million)	Fair Value	
			December 31, 2011 (U.S.\$ million)	December 31, 2010
Fixed to fixed		35,000	130	115
Average pay rate (U.S.\$)	5.69			
Average receive rate (Japanese Yen)	2.15			
Total cross currency swaps		35,000	130	115

Item 12. Description of Securities other than Equity Securities

American Depositary Shares

Effective January 3, 2012, The Bank of New York Mellon succeeded JPMorgan Chase Bank, N.A. as the Depositary for both of our common and preferred ADSs. In its capacity as Depositary, The Bank of New York Mellon will register and deliver the ADSs, each of which represents (i) two shares (or a right to receive two shares) deposited with the principal São Paulo office of Itaú Unibanco S.A., as custodian for the Depositary, and (ii) 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 101 Barclay Street, New York, New York 10286.

Fees Payable by holders of our ADSs

ADR holders are required to pay various fees to the Depositary, and the Depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADR holders are required to pay the Depositary: (i) an annual fee of U.S.\$0.02 (or less) per ADS for administering the ADR program, and (ii) amounts in respect of expenses incurred by the Depositary or its agents on behalf of ADR holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, facsimile transmission, or conversion of foreign currency into U.S. dollars. In both cases, the depositary may decide in its sole discretion to seek payment by directly billing investors, by deducting the applicable amount from cash distributions or by charging the book-entry system accounts of ADR holders or their representatives. ADR holders may also be required to pay additional fees for certain services provided by the depositary, as set forth in the table below.

Depositary service	Fee payable by ADR holders
Issuance and delivery of ADSs, including issuances resulting from a distribution of shares or rights or other property	U.S.\$5.00 per 100 ADSs (or portion thereof)
Distribution of dividends	U.S.\$0.02 (or less) per ADS per year
Cancellation of ADSs for the purpose of withdrawal	U.S.\$5.00 per 100 ADSs (or portion thereof)

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Fees Payable by the Depositary to Petrobras

Effective January 3, 2012, the Depositary will reimburse us for certain expenses we incur in connection with the administration and maintenance of the ADR program. These reimbursable expenses will comprise investor relations expenses, listing fees, legal fees and other expenses related to the administration and maintenance of the ADR program. In addition, the Depositary has agreed to provide us with an additional reimbursement per annum equal to 80% of the dividend fee collected by the Depositary.

Prior to The Bank of New York Mellon succeeding JPMorgan Chase Bank, N.A. as Depositary on January 3, 2012, JPMorgan Chase Bank, N.A. reimbursed us for certain expenses we incurred in connection with the ADR program. These reimbursable expenses comprised investor relations expenses, listing fees, legal and accounting fees and fees payable to service providers for the distribution of materials to ADR holders. For the year ended December 31, 2011, the gross aggregate amount of such reimbursements was approximately U.S.\$7.8 million.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Both PifCo and we have evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of December 31, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2011 were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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Management's Report on Internal Control over Financial Reporting

The managements of Petróleo Brasileiro S.A.—Petrobras and Petrobras International Finance Company—PifCo (each, a “Company”) are responsible for establishing and maintaining effective internal control over financial reporting and for their assessments of the effectiveness of internal control over financial reporting.

Each Company's internal control over financial reporting is a process designed by, or under the supervision of Petrobras' Audit Committee and each of the Company's Chief Executive Officer and Chief Financial Officer, and effected by each Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS, as issued by the IASB.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Therefore even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Each of the Company's management has assessed the effectiveness of each Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on such assessment and criteria, each of the Company's management has concluded that each Company's internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of each of the Company's internal control over financial reporting as of December 31, 2011, has been audited by KPMG Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Controls

The management of each Company identified no change in its internal control over financial reporting during the fiscal year ended December 31, 2011, that has materially affected or is reasonably likely to materially affect its internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

On June 17, 2005, our board of directors approved the appointment of an audit committee for purposes of the Sarbanes-Oxley Act of 2002. Mr. Sérgio Franklin Quintella is the audit committee financial expert and he is independent, as defined in 17 CFR 240.10A-3.

PifCo's board of directors currently serves as its audit committee for purposes of the Sarbanes-Oxley Act of 2002. Mr. Marcos Antonio Silva Menezes is an “audit committee financial expert” within the meaning of this Item 16A, and he is not independent, as defined in 17 CFR 240.10A-3.

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Item 16B. Code of Ethics

We guide our business and our relations with third parties by ethical principles. In 1998, our board of executive officers approved the Petrobras Code of Ethics, which was extended to all Petrobras companies in 2002, and renamed Petrobras System's Code of Ethics.

In 2006, after undergoing a revision process with wide participation from our business segments, employees and subsidiaries, the Code of Ethics was approved by the board of executive officers and the board of directors. Our board of executive officers further developed our ethics management through the creation of the Petrobras Ethics Commission in 2008. The Code of Ethics is applicable to all employees and the members of the board of executive officers and the board of directors. The document is available on our website at <http://www.petrobras.com.br/en/investors>. It is the responsibility of the Ethics Commission to promote compliance with ethical principles and act as a forum for discussion of subjects related to ethics.

Item 16C. Principal Accountant Fees and Services

Audit and Non-Audit Fees

Petrobras

The following table sets forth the fees billed to us by our independent auditors, KPMG Auditores Independentes, during the fiscal years ended December 31, 2011 and 2010:

	Year Ended December 31,	
	2011	2010
	(U.S.\$ thousand)	
Audit fees	16,445	15,446
Audit-related fees	546	320
Tax fees	377	398
Total fees	17,368	16,164

Audit fees in the above table are the aggregate fees billed by KPMG Auditores Independentes in connection with the audit of our annual financial statements (IFRS and Brazilian GAAP), interim reviews (IFRS and Brazilian GAAP), subsidiary audits (IFRS and Brazilian GAAP, among others) and review of periodic documents filed with the SEC. In 2011, audit fees include the aggregate fees billed by KPMG Auditores Independentes, in the amount of U.S.\$1,588 thousand, related to the audit of the internal controls. "Audit-related fees" in the above table are the aggregate fees billed by KPMG Auditores Independentes for assurance and related services that are reasonably related to the performance of the audit or reviews of our financial statements and are not reported under "audit fees."

Tax fees in the above table are fees billed by KPMG Auditores Independentes for services related to tax compliance reviews of the annual federal tax return and procedures with respect to income and sales taxes.

Our contract with KPMG Auditores Independentes was signed in 2006. Under this contract, KPMG Auditores Independentes was hired to provide specialized technical accounting audit services for fiscal years 2006, 2007 and 2008. In April 2009, the contract was extended for two more years to cover fiscal years 2009 and 2010. In April 2011, we signed a new contract with KPMG Auditores Independentes to provide specialized technical accounting audit services for fiscal year 2011.

In January 2012, we signed a contract with PricewaterhouseCoopers Auditores Independentes—PwC, under which PwC was hired to provide specialized technical accounting audit services for fiscal years 2012, 2013 and 2014.

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PifCo

The following table sets forth the fees billed to PifCo by its independent auditors KPMG Auditores Independentes, during the fiscal years ended December 31, 2011 and 2010:

	Year Ended December 31,	
	2011	2010
	(U.S.\$ thousand)	
Audit fees	337	540
Audit-related fees	18	36
Total fees	355	576

Audit fees in the above table are the aggregate fees billed by KPMG Auditores Independentes in connection with the audit of PifCo's annual financial statements (IFRS and Brazilian GAAP), interim reviews (IFRS and Brazilian GAAP), subsidiary audits (IFRS and local GAAP) and review of periodic documents filed with the SEC. In 2011, audit fees include the aggregate fees billed by KPMG Auditores Independentes, in the amount of U.S.\$18 thousand, related to the audit of the internal controls. Fees disclosed under the category "audit-related fees" relate to services provided in connection with the issuance of PifCo's notes in the international capital markets and assurance and related services that are reasonably related to the performance of the audit or reviews of PifCo's financial statements and are not reported under "audit fees."

PifCo's contract with KPMG Auditores Independentes was signed in 2006. Under this contract, KPMG Auditores Independentes was hired to provide specialized technical accounting audit services for fiscal years 2006, 2007 and 2008. In April 2009, the contract was extended for two more years to cover fiscal years 2009 and 2010. In April 2011, we signed a new contract with KPMG Auditores Independentes to provide specialized technical accounting audit services for fiscal year 2011.

In January 2012, PifCo signed a contract with PricewaterhouseCoopers Auditores Independentes–PwC, under which PwC was hired to provide specialized technical accounting audit services for fiscal years 2012, 2013 and 2014.

Audit Committee Approval Policies and Procedures

Our audit committee has the authority to recommend pre-approval policies and procedures to our board of directors for the engagement of our or PifCo's independent auditor for services. At present, our board of directors has decided not to establish such pre-approval policies and procedures. Our board of directors expressly approves on a case-by-case basis any engagement of our independent auditors for all services provided to our subsidiaries or to us. Our bylaws prohibit our independent auditor from providing any consulting services to our subsidiaries or to us during the term of such auditor's contract.

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Item 16D. Exemptions from the Listing Standards for Audit Committees

Under the listed company audit committee rules of the NYSE and the SEC, we must comply with Exchange Act Rule 10A-3, which requires that we establish an audit committee composed of members of the board of directors that meets specified requirements. In reliance on the exemption in Rule 10A-3(b)(iv)(E), we have designated two members to our audit committee, Francisco Roberto de Albuquerque and Sergio Franklin Quintella, who are designees of the Brazilian federal government, which is our controlling shareholder and therefore one of our affiliates. In our assessment, each of these members acts independently in performing the responsibilities of an audit committee member under the Sarbanes-Oxley Act and satisfy the other requirements of Exchange Act Rule 10A-3.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Petrobras

During the fiscal year ended December 31, 2011, neither any “affiliated purchaser,” as defined in Rule 10b-18(a)(3) under the Securities Exchange Act, nor we have purchased any of our equity securities.

Item 16F. Change in Registrant’s Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Comparison of Petrobras’ Corporate Governance Practices with NYSE Corporate Governance Requirements Applicable to U.S. Companies

Under the rules of the New York Stock Exchange, foreign private issuers are subject to a more limited set of corporate governance requirements than U.S. domestic issuers. As a foreign private issuer, we must comply with four principal NYSE corporate governance rules: (i) we must satisfy the requirements of Exchange Act Rule 10A-3; (ii) our Chief Executive Officer must promptly notify the NYSE in writing after any executive officer becomes aware of any material non-compliance with the applicable NYSE corporate governance rules; (iii) we must provide the NYSE with annual and interim written affirmations as required under the NYSE corporate governance rules; and (iv) we must provide a brief description of any significant differences between its corporate governance practices and those followed by U.S. companies under NYSE listing standards.

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The table below briefly describes the significant differences between our domestic practices and the NYSE corporate governance rules.

Section	New York Stock Exchange Corporate Governance Rules for U.S. Domestic Issuers	Petrobras' Practices
	Director Independence	
303A.01	Listed companies must have a majority of independent directors. "Controlled companies" are not required to comply with this requirement.	Petrobras is a controlled company because more than a majority of its voting power is controlled by the Brazilian Federal Government. As a controlled company, Petrobras would not be required to comply with the majority of independent directors requirement if it were a U.S. domestic issuer. There is no legal provision or policy that requires us to have independent directors.
303A.03	The non-management directors of each listed company must meet at regularly scheduled executive sessions without management.	With the exception of the CEO of the company (who is also a director), all of Petrobras' directors are non-management directors. The internal regulation of Petrobras' board of directors provides for the occurrence of an executive session without the presence of the CEO if a particular matter may represent a conflict of interests.
	Nominating/Corporate Governance Committee	
303A.04	Listed companies must have a nominating/corporate governance committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties. "Controlled companies" are not required to comply with this requirement.	Petrobras does not have a nominating committee. Petrobras also does not have a corporate governance committee composed of directors. Petrobras' board of directors develops, evaluates and approves corporate governance principles. As a controlled company, Petrobras would not be required to comply with the nominating/corporate governance committee requirement if it were a U.S. domestic issuer.
	Compensation Committee	
303A.05	Listed companies must have a compensation committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties. "Controlled companies" are not required to comply with this requirement.	Petrobras has a committee that advises the board of directors with respect to compensation and management succession. There is no legal provision or policy that requires the members of this committee to be independent. As a controlled company, Petrobras would not be required to comply with the compensation committee requirement if it were a U.S. domestic issuer.
	Audit Committee	
303A.06 303A.07	Listed companies must have an audit committee with a minimum of three independent directors that satisfy the independence requirements of Rule 10A-3 under the Exchange Act, with a written charter that covers certain minimum specified duties.	Petrobras' Audit Committee is an advisory committee to the board of directors and is composed of independent members according to Rule 10A-3 under the Exchange Act. The Audit Committee has a written charter that sets forth its responsibilities that include, among other things: (i) strengthening ties with the external auditors, permitting closer supervision of their work and of issues regarding their competency and independence, (ii) assuring legal and regulatory compliance, including with regard to certification, internal controls, compliance procedures and ethics, and (iii) monitoring the financial position of the company, especially as to risks, internal auditing work and financial disclosure.
	Equity Compensation Plans	
303A.08	Shareholders must have the opportunity to vote for compensation plans through shares and required for the adoption and revision of any equity	Under the Brazilian Corporate Law, shareholder approval is required for the adoption and revision of any equity

material reviews, with limited exceptions as set compensation plans. Petrobras does not currently have any
forth by the NYSE's rules. equity compensation plans.

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The table below briefly describes the significant differences between our domestic practices and the NYSE corporate governance rules.

Section	New York Stock Exchange Corporate Governance Rules for U.S. Domestic Issuers	Petrobras' Practices
	Corporate Governance Guidelines	
303A.09	Listed companies must adopt and disclose corporate governance guidelines.	Petrobras has a set of Corporate Governance Guidelines (<i>Diretrizes de Governança Corporativa</i>) that address director qualification standards, responsibilities, compensation, orientation, self-appraisals and access to management. The guidelines do not reflect the independence requirements set forth in Sections 303A.01 and 303A.02 of the NYSE rules. Certain portions of the guidelines, including the responsibilities and compensation sections, are not discussed with the same level of detail set forth in the commentaries to the NYSE rules. The guidelines are available on Petrobras' website.
	Code of Ethics for Directors, Officers and Employees	
303A.10	Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	Petrobras has a Code of Ethics (<i>Código de Ética</i>) applicable to its employees and a Code of Good Practices (<i>Código de Boas Práticas</i>) applicable to directors and executive officers. No waivers of the provisions of the Code of Ethics or Code of Good Practices are permitted. Both documents are available on Petrobras' website.
	Certification Requirements	
303A.12	Each listed company CEO must certify to the NYSE each year that he or she is not aware of any executive officer becomes aware of any material violation by the company of NYSE corporate governance listing standards.	Our CEO will promptly notify the NYSE in writing if any executive officer becomes aware of any material violation by the company of NYSE corporate governance rules.

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PART III

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

See pages F-2 through F-156, incorporated herein by reference.

Item 19. Exhibits

<u>No.</u>	<u>Description</u>
1.1	Amended Bylaws of Petr�leo Brasileiro S.A.-Petrobras, dated as of February 28, 2012.
1.2	Memorandum and Articles of Association of Petrobras International Finance Company (incorporated by reference to Exhibit 1 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on July 1, 2002, and amendments to which were filed on December 13, 2002, March 20, 2003 (File No. 333-14168) and June 26, 2007 and May 19, 2008 (File No. 001-331121). PifCo's Memorandum and Articles of Association were last amended on February 23, 2008.
2.1	Amended and Restated Deposit Agreement, dated as of January 3, 2012, among Petrobras, The Bank of New York Mellon, as depositary, and registered holders and beneficial owners from time to time of the ADSs, representing the common shares of Petrobras, and Form of ADR evidencing ADSs representing the common shares of Petrobras.
2.2	Amended and Restated Deposit Agreement, dated as of January 3, 2012, among Petrobras, The Bank of New York Mellon, as depositary, and registered holders and beneficial owners from time to time of the ADSs, representing the preferred shares of Petrobras, and Form of ADR evidencing ADSs representing the preferred shares of Petrobras.
2.3	Indenture, dated as of July 19, 2002, between Petrobras International Finance Company and JPMorgan Chase Bank, as Trustee (incorporated by reference to exhibit 4.5 of the Registration Statement of Petrobras International Finance Company and Petrobras on Form F-3, filed with the Securities and Exchange Commission on July 5, 2002, and amendments to which were filed on July 19, 2002 and August 14, 2002 (File No. 333-92044-01)).
2.4	Amended and Restated First Supplemental Indenture, originally dated as of July 6, 2001, as supplemented as of November 26, 2001, as amended and restated as of March 31, 2010, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 9.750% Senior Notes due 2011 (incorporated by reference to Exhibit 2.8 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.5	Amended and Restated Second Supplemental Indenture, initially dated as of July 2, 2003, as amended and restated as of September 18, 2003, as amended and restated as of March 31, 2010, among Petrobras International Finance Company, Petrobras and JPMorgan Chase Bank, as Trustee, relating to the 9.125% Global Notes due 2013 (incorporated by reference to Exhibit 2.9 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.6	Amended and Restated Third Supplemental Indenture, initially dated as of December 10, 2003, as amended and restated as of March 31, 2010, among Petrobras International Finance Company, Petrobras and JPMorgan Chase Bank, as Trustee, relating to the 8.375% Global Notes due 2018 (incorporated by reference to Exhibit 2.10 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.7	Indenture, dated as of July 6, 2001, between Petrobras International Finance Company and The Bank of New York Mellon, as Trustee, relating to the 9 ¾% Senior Notes due 2011 (incorporated by reference to Exhibit 4.1 to the Registration Statement of Petrobras International Finance Company and Petrobras on Form F-4, filed with the Securities and Exchange Commission on December 6, 2001 (File No. 333-14170)).
2.8	Amended and Restated Fourth Supplemental Indenture, initially dated as of September 15, 2004, as amended and restated as of March 31, 2010, between Petrobras International Finance Company, Petrobras and JPMorgan Chase

Bank, as Trustee, relating to the 7.75% Global Notes due 2014 (incorporated by reference to Exhibit 2.12 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).

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<u>No.</u>	<u>Description</u>
2.9	Registration Rights Agreement, dated as of July 6, 2001, among Petrobras International Finance Company, Petrobras, USB Warburg LLC, Banc of America Securities LLC, J.P. Morgan Securities Inc., RBC Dominion Securities Corporation and Santander Central Hispano Investment Securities Inc. (incorporated by reference to Exhibit 4.4 to the Registration Statement of Petrobras International Finance Company and Petrobras on Form F-4, filed with the Securities and Exchange Commission on December 6, 2001 (File No. 333-14170)).
2.10	Amended and Restated Fifth Supplemental Indenture, initially dated as of October 6, 2006, as amended and restated as of February 7, 2007, as amended and restated as of March 31, 2010, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as successor to JPMorgan Chase Bank, N.A., as Trustee, relating to the 6.125% Global Notes due 2016 (incorporated by reference to Exhibit 2.14 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
<u>2.11</u>	<u>Sixth Supplemental Indenture, dated as of February 10, 2012, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee.</u>
2.12	Amended and Restated First Supplemental Indenture, initially dated as of November 1, 2007, as amended and restated as of January 11, 2008, as amended and restated as of March 31, 2010, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 5.875% Global Notes due 2018 (incorporated by reference to Exhibit 2.15 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.13	Guaranty for the 9.125% Global Notes due 2013, dated as of March 31, 2010, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.16 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
<u>2.14</u>	<u>Amended and Restated Guaranty for the 9.125% Global Notes due 2013, dated as of February 10, 2012, between Petrobras and The Bank of New York Mellon, as Trustee.</u>
2.15	Guaranty for the 8.375% Global Notes due 2018, dated as of March 31, 2010, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.17 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
<u>2.16</u>	<u>Amended and Restated Guaranty for the 8.375% Global Notes due 2018, dated as of February 10, 2012, between Petrobras and The Bank of New York Mellon, as Trustee.</u>
2.17	Master Export Contract, dated as of December 21, 2001, between Petrobras and Petrobras Finance Ltd. (incorporated by reference to Exhibit 2.14 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on July 1, 2002, and amendments to which were filed on December 13, 2002 and March 20, 2003 (File No. 333-14168)).
2.18	Amendment to the Master Export Contract, dated as of May 21, 2003, among Petrobras and Petrobras Finance Ltd. (incorporated by reference to Exhibit 2.18 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on June 19, 2003 (File No. 333-14168)).
2.19	Depository Agreement, dated as of December 21, 2001, among U.S. Bank, National Association, Cayman Islands Branch, in capacity as Trustee of the PF Export Receivables Master Trust, Citibank, N.A., in capacity as Securities Intermediary, and Petrobras Finance Ltd. (incorporated by reference to Exhibit 2.15 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on July 1, 2002, and amendments to which were filed on December 13, 2002 and March 20, 2003 (File No. 333-14168)).
2.20	Letter Agreement relating to the Depository Agreement, dated as of May 16, 2003 (incorporated by reference to Exhibit 2.20 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on June 19, 2003 (File No. 333-14168)).
2.21	Administrative Services Agreement, dated as of December 21, 2001, between Petrobras, as Delivery and Sales Agent, and Petrobras Finance Ltd. (incorporated by reference to Exhibit 2.16 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on July 1, 2002, and amendments

to which were filed on December 13, 2002 and March 20, 2003 (File No. 333-14168)).

- 2.22 Letter Agreement relating to the Administrative Services Agreement, dated as of May 16, 2003 (incorporated by reference to Exhibit 2.22 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on June 19, 2003 (File No. 333-14168)).

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<u>No.</u>	<u>Description</u>
2.23	Amended and Restated Trust Deed, dated as of December 21, 2001, among U.S. Bank, National Association, Cayman Islands Branch, in capacity as Trustee of the PF Export Receivables Master Trust, Citibank, N.A., in capacity as Paying Agent, Transfer Agent, Registrar and Depositary Bank, and Petrobras International Finance Company, as Servicer (incorporated by reference to Exhibit 2.17 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on July 1, 2002, and amendments to which were filed on December 13, 2002 and March 20, 2003 (File No. 333-14168)).
2.24	Receivables Purchase Agreement, dated as of December 21, 2001, among Petrobras Finance Ltd., Petrobras and U.S. Bank, National Association, Cayman Islands Branch, solely in capacity as Trustee of the PF Export Receivables Master Trust (incorporated by reference to Exhibit 2.18 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on July 1, 2002, and amendments to which were filed on December 13, 2002 and March 20, 2003 (File No. 333-14168)).
2.25	Amended and Restated Receivables Purchase Agreement, dated as of May 21, 2003, among Petrobras Finance Ltd., Petrobras and U.S. Bank, National Association, Cayman Islands Branch, solely in capacity as Trustee of the PF Export Receivables Master Trust (incorporated by reference to Exhibit 2.25 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on June 19, 2003 (File No. 333-14168)).
2.26	Prepayment Agreement, dated as of December 21, 2001, between Petrobras and Petrobras Finance Ltd. (incorporated by reference to Exhibit 2.26 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on June 19, 2003 (File No. 333-14168)).
2.27	Amended and Restated Prepayment Agreement, dated as of May 2, 2003, between Petrobras and Petrobras Finance Ltd. (incorporated by reference to Exhibit 2.27 to the Annual Report on Form 20-F of Petrobras International Finance Company, filed with the Securities and Exchange Commission on June 19, 2003 (File No. 333-14168)).
2.28	Guaranty for the 7.75% Global Notes due 2014, dated as of March 31, 2010, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.30 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.29	Amended and Restated Guaranty for the 7.75% Global Notes due 2014, dated as of February 10, 2012, between Petrobras and The Bank of New York Mellon, as Trustee.
2.30	Guaranty for the 6.125% Global Notes due 2016, dated as of March 31, 2010, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.31 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.31	Amended and Restated Guaranty for the 6.125% Global Notes due 2016, dated as of February 10, 2012, between Petrobras and The Bank of New York Mellon, as Trustee.
2.32	Guaranty for the 5.875% Global Notes due 2018, dated as of March 31, 2010, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.32 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.33	Amended and Restated Guaranty for the 5.875% Global Notes due 2018, dated as of February 10, 2012, between Petrobras and The Bank of New York Mellon, as Trustee.
2.34	Amended and Restated Second Supplemental Indenture, initially dated as of February 11, 2009, as amended and restated as of July 9, 2009, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 7.875% Global Notes due 2019 (incorporated by reference to Exhibit 2.33 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.35	Amended and Restated Guaranty, initially dated as of February 11, 2009, as amended and restated as of July 9, 2009, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.34 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.36	Third Supplemental Indenture, dated as of October 30, 2009, among Petrobras International Finance Company,

Petrobras and The Bank of New York Mellon, as Trustee, relating to the 5.75% Global Notes due 2020 (incorporated by reference to Exhibit 2.35 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).

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<u>No.</u>	<u>Description</u>
2.37	Fourth Supplemental Indenture, dated as of October 30, 2009, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 6.875% Global Notes due 2040 (incorporated by reference to Exhibit 2.36 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.38	Guaranty for the 5.75% Global Notes due 2020, dated as of October 30, 2009, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.37 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.39	Guaranty for the 6.875% Global Notes due 2040, dated as of October 30, 2009, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.38 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2010 (File Nos. 001-15106 and 001-33121)).
2.40	Fifth Supplemental Indenture, dated as of January 27, 2011, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 3.875% Global Notes due 2016 (incorporated by reference to Exhibit 2.39 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).
2.41	Guaranty for the 3.875% Global Notes due 2016, dated as of January 27, 2011, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.40 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).
2.42	Sixth Supplemental Indenture, dated as of January 27, 2011, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 5.375% Global Notes due 2021 (incorporated by reference to Exhibit 2.41 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).
2.43	Amended and Restated Sixth Supplemental Indenture, dated as of February 6, 2012, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 5.375% Global Notes due 2021 (incorporated by reference to Exhibit 4.2 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
2.44	Guaranty for the 5.375% Global Notes due 2021, dated as of January 27, 2011, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.42 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).
2.45	Amended and Restated Guaranty for the 5.375% Global Notes due 2021, dated as of February 6, 2012, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
2.46	Seventh Supplemental Indenture, dated as of January 27, 2011, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 6.750% Global Notes due 2041 (incorporated by reference to Exhibit 2.43 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).
2.47	Amended and Restated Seventh Supplemental Indenture, dated as of February 6, 2012, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 6.750% Global Notes due 2041 (incorporated by reference to Exhibit 4.5 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
2.48	Guaranty for the 6.750% Global Notes due 2041, dated as of January 27, 2011, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 2.44 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).
2.49	Amended and Restated Guaranty for the 6.750% Global Notes due 2041, dated as of February 6, 2012, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.4 to Form 6-K of

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<u>No.</u>	<u>Description</u>
2.50	Eighth Supplemental Indenture, dated as of December 9, 2011, among Petrobras International Finance Company, Petrobras, The Bank of New York Mellon, as Trustee, The Bank of New York Mellon, London Branch, as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent, relating to the 4.875% Global Notes due 2018 (incorporated by reference to Exhibit 4.2 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on December 9, 2011 (File Nos. 001-15106 and 001-33121)).
2.51	Guaranty for the 4.875% Global Notes due 2018, dated as of December 9, 2011, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on December 9, 2011 (File Nos. 001-15106 and 001-33121)).
2.52	Ninth Supplemental Indenture, dated as of December 9, 2011, among Petrobras International Finance Company, Petrobras, The Bank of New York Mellon, as Trustee, The Bank of New York Mellon, London Branch, as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent, relating to the 5.875% Global Notes due 2022 (incorporated by reference to Exhibit 4.5 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on December 9, 2011 (File Nos. 001-15106 and 001-33121)).
2.53	Guaranty for the 5.875% Global Notes due 2022, dated as of December 9, 2011, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.4 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on December 9, 2011 (File Nos. 001-15106 and 001-33121)).
2.54	Tenth Supplemental Indenture, dated as of December 12, 2011, among Petrobras International Finance Company, Petrobras, The Bank of New York Mellon, as Trustee, The Bank of New York Mellon, London Branch, as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent, relating to the 6.250% Global Notes due 2026 (incorporated by reference to Exhibit 4.2 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on December 12, 2011 (File Nos. 001-15106 and 001-33121)).
2.55	Guaranty for the 6.250% Global Notes due 2026, dated as of December 12, 2011, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on December 12, 2011 (File Nos. 001-15106 and 001-33121)).
2.56	Eleventh Supplemental Indenture, dated as of February 6, 2012, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 2.875% Global Notes due 2015 (incorporated by reference to Exhibit 4.8 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
2.57	Guaranty for the 2.875% Global Notes due 2015, dated as of February 6, 2012, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.7 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
2.58	Twelfth Supplemental Indenture, dated as of February 6, 2012, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee, relating to the 3.500% Global Notes due 2017 (incorporated by reference to Exhibit 4.11 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
2.59	Guaranty for the 3.500% Global Notes due 2017, dated as of February 6, 2012, between Petrobras and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.10 to Form 6-K of Petrobras and Petrobras International Finance Company, furnished to the Securities and Exchange Commission on February 6, 2012 (File Nos. 001-15106 and 001-33121)).
<u>2.60</u>	<u>Thirteenth Supplemental Indenture, dated as of February 10, 2012, among Petrobras International Finance Company, Petrobras and The Bank of New York Mellon, as Trustee.</u>
2.61	Amendment No. 2, dated as of September 16, 2010, to the Amended and Restated Deposit Agreement, dated as of January 2, 2007, among Petrobras, JPMorgan Chase Bank, N.A., as depository, and registered holders and beneficial

owners from time to time of the ADSs, representing the common shares of Petrobras (incorporated by reference to Exhibit 99.A.3 of the Registration Statement of Petrobras and Petrobras International Finance Company on Form F-6 filed with the Securities and Exchange Commission on September 16, 2010 (File No. 333-169430)).

2.62 Amendment No. 2, dated as of September 16, 2010, to the Amended and Restated Deposit Agreement, dated as of January 2, 2007, among Petrobras, JPMorgan Chase Bank, N.A., as depositary, and registered holders and beneficial owners from time to time of the ADSs, representing the preferred shares of Petrobras (incorporated by reference to Exhibit 99.A.3 of the Registration Statement of Petrobras and Petrobras International Finance Company on Form F-6 filed with the Securities and Exchange Commission on September 16, 2010 (File No. 333-169429)).

2.63 Assignment Agreement, dated as of September 3, 2010, among Petrobras, the Brazilian federal government and the National Petroleum, Natural Gas and Biofuels Agency (incorporated by reference to Exhibit 2.47 to the Annual Report on Form 20-F of Petrobras and Petrobras International Finance Company, filed with the Securities and Exchange Commission on May 26, 2011 (File Nos. 001-15106 and 001-33121)).

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<u>No.</u>	<u>Description</u>
	The amount of long-term debt securities of Petrobras authorized under any given instrument does not exceed 10% of its total assets on a consolidated basis. Petrobras hereby agrees to furnish to the SEC, upon its request, a copy of any instrument defining the rights of holders of its long-term debt or of its subsidiaries for which consolidated or unconsolidated financial statements are required to be filed.
4.1	Form of Concession Agreement for Exploration, Development and Production of crude oil and natural gas executed between Petrobras and the ANP (incorporated by reference to Exhibit 10.1 of Petrobras' Registration Statement on Form F-1 filed with the Securities and Exchange Commission on July 14, 2000 (File No. 333-12298)).
4.2	Purchase and Sale Agreement of natural gas, executed between Petrobras and Yacimientos Petrolíferos Fiscales Bolivianos-YPFB (together with and English version) (incorporated by reference to Exhibit 10.2 to Petrobras' Registration Statement on Form F-1 filed with the Securities and Exchange Commission on July 14, 2000 (File No. 333-12298)).
8.1	List of subsidiaries.
12.1	Petrobras' Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	PifCo's Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Petrobras' Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	PifCo's Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent letter of KPMG.
15.2	Consent letter of KPMG.
15.3	Consent letter of DeGolyer and MacNaughton.
99.1	Third Party Reports of DeGolyer and MacNaughton.

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rio de Janeiro, on March 30, 2012.

Petróleo Brasileiro S.A.—PETROBRAS

By: /s/ Maria das Graças Silva Foster
Name: Maria das Graças Silva Foster

Title: Chief Executive Officer
By: /s/ Almir Guilherme Barbassa

Name: Almir Guilherme Barbassa
Title: Chief Financial Officer and Chief Investor Relations Officer

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant hereby certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rio de Janeiro, on March 30, 2012.

Petrobras International Finance Company—PifCo

By: /s/ Daniel Lima de Oliveira

Name: Daniel Lima de Oliveira

Title: Chairman and Chief Executive Officer

By: /s/ Sérgio Túlio da Rosa Tinoco

Name: Sérgio Túlio da Rosa Tinoco

Title: Chief Financial Officer

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PETROBRAS INTERNATIONAL FINANCE COMPANY

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Review Report of Independent Registered Public Accounting Firm

To
The Board of Directors and Shareholders of
Petróleo Brasileiro S.A. - Petrobras
Rio de Janeiro - RJ

We have audited the accompanying consolidated statements of financial position of Petróleo Brasileiro S.A. - Petrobras and subsidiaries (the “Company”) as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2011. We also have audited the Company’s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statements presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petróleo Brasileiro S.A. - Petrobras and subsidiaries as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Also in our opinion, Petróleo Brasileiro S.A. – Petrobras and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in COSO.

/s/ KPMG Auditores Independentes

KPMG Auditores Independentes

Rio de Janeiro, Brazil
March 30, 2012

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Financial Position

Years ended December 31, 2011 and 2010

(In millions of Dollars)

Assets	Note	As of December 31,		Liabilities	Note	As of December 31,	
		2011	2010			2011	2010
Current assets				Current liabilities			
Cash and cash equivalents	5	19,057	17,655	Trade accounts payable	15	11,863	10,427
Marketable securities	6	8,961	15,612	Current debt	16	10,067	8,951
Accounts receivable, net	7	11,756	10,845	Current portion of finance lease obligations	17.1	44	105
Inventories	8	15,165	11,808	Taxes payable	20.2	5,847	6,038
Recoverable taxes	20.1	6,848	5,262	Dividends payable		2,067	2,158
Advances to suppliers		740	786	Payroll and related charges		1,696	1,531
Other current assets		2,065	1,591	Profit sharing	22	832	1,014
		64,592	63,559	Employees' postretirement benefits obligations - Pension and health care	21.5	761	782
				Other current liabilities		3,187	2,571
						36,364	33,577
Non-current assets				Non-current liabilities			
Accounts receivable, net	7	3,253	3,260	Long-term debt	16	72,718	60,417
Marketable securities	6	3,064	3,120	Finance lease obligations	17.1	98	115
Restricted deposits for legal proceedings and guarantees	9	1,575	1,674	Deferred tax liabilities	20.3	17,736	15,543
Deferred tax assets	20.3	9,199	10,226	Employees' postretirement benefits obligations - Pension and health care	21.5	8,878	9,169
Advances to suppliers		3,141	2,979	Legal proceedings provisions	28	726	759
Other long-term receivables		1,725	1,378	Provision for decommissioning cost	19	4,712	3,904
		21,957	22,637	Other non-current liabilities		1,068	761
						105,936	90,668
Investments	11.2	6,530	6,957				
Property, plant and equipment, net	12	182,465	168,104	Shareholders' equity	23		
Intangible assets	13	43,866	48,937	Paid in capital		107,355	107,341
		232,861	223,998	Additional paid in capital		316	7
				Profit reserves		60,224	46,417
				Accumulated other comprehensive income		7,943	30,345
				Petrobras shareholder's equity		175,838	184,110

			Non-controlling interests	<u>1,272</u>	<u>1,839</u>
			Total equity	<u>177,110</u>	<u>185,949</u>
Total assets	<u>319,410</u>	<u>310,194</u>	Total liabilities and shareholder's equity	<u>319,410</u>	<u>310,194</u>

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Income

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars, except income per share)

	Note	Year ended December 31,		
		2011	2010	2009
Sales revenues	24	145,915	120,452	91,146
Cost of sales	25	(99,595)	(77,145)	(54,023)
Gross profit		46,320	43,307	37,123
Income (expenses)				
Selling expenses	25	(5,346)	(4,863)	(3,693)
Administrative and general expenses	25	(5,161)	(4,441)	(3,662)
Exploration costs		(2,630)	(2,168)	(2,061)
Research and development expenses		(1,454)	(989)	(685)
Other taxes		(460)	(509)	(327)
Other operating income and expenses, net	26	(3,984)	(3,965)	(3,772)
		(19,035)	(16,935)	(14,200)
Net income before financial results, profit sharing and income taxes		27,285	26,372	22,923
Financial income (expenses), net	27	76	1,551	97
Equity in results of non consolidated companies		230	347	120
Profit sharing	22	(867)	(996)	(860)
Income before income taxes		26,724	27,274	22,280
Income tax	20.5	(6,732)	(6,825)	(5,421)
Net income		19,992	20,449	16,859
Net income (loss) attributable to:				
Shareholders of Petrobras		20,121	20,055	15,308
Non-controlling interests		(129)	394	1,551
		19,992	20,449	16,859

Basic and diluted earnings per share in U.S. dollar	23.6	<u><u>1.54</u></u>	<u><u>2.03</u></u>	<u><u>1.74</u></u>
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See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Comprehensive Income

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

	Year ended December 31,		
	2011	2010	2009
Net income before non-controlling interest	19,992	20,449	16,859
Other comprehensive income			
Cummulative translation adjustments	(21,859)	7,157	23,443
Deemed cost of associates	6	6	4
Unrealized results on available-for-sale securities			
Recognized in shareholders' equity	72	185	346
Reclassified to profit or loss	14	(4)	18
Unrealized results on cash flow hedge			
Recognized in shareholders' equity	(29)	8	(49)
Reclassified to profit or loss	4	(7)	
Deferred income tax	(25)	(62)	(79)
	<u>(21,817)</u>	<u>7,283</u>	<u>23,683</u>
Total comprehensive income (loss)	<u>(1,825)</u>	<u>27,732</u>	<u>40,542</u>
Comprehensive income attributable to:			
Shareholders of Petrobras	(1,671)	27,382	38,457
Non-controlling interests	<u>(154)</u>	<u>350</u>	<u>2,085</u>
Total comprehensive income (loss)	<u>(1,825)</u>	<u>27,732</u>	<u>40,542</u>

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

	Additional paid-in capital		Capital reserves	Accumulated other comprehensive income	Profit reserves							Total shareholders' equity attributable to shareholders of Petrobras	Non-controlling interests	Total consolidated shareholders' equity
	Paid-in capital	Shares issuance costs	Change in interest in subsidiaries	Tax incentives	Cumulative translation adjustment	Other comprehensive income	Legal	Statutory	Tax incentives	Profit retention	Retained earnings			
Adjusted balances at January 1, 2009	33,790			220		(132)	4,038	385	238	22,513	(809)	60,243	634	60,877
Change in interest in subsidiaries			849								81	930	(885)	45
Net income											15,308	15,308	1,551	16,859
Other comprehensive income:														
Cumulative translation adjustments					22,909							22,909	534	23,443
Unrealized gains in available-for-sale securities and cash flow hedge						237						237		237
Realization of deemed cost						(4)					(90)	(94)		(94)
Distributions:														
Allocations of net income in reserves							765	169	318	8,791	(10,044)	(1)		(1)
Dividends											(5,162)	(5,162)	(599)	(5,761)
Balance at December 31, 2009	33,790		849	220	22,909	101	4,803	554	556	31,304	(716)	94,370	1,235	95,605
Capital increase with reserves	3,471			(220)				(520)	(8)	(2,723)				
Capital increase with issuing of shares	70,080	(279)										69,801		69,801
Change in interest in subsidiaries			(563)									(563)	175	(388)
Net income											20,055	20,055	394	20,449
Other comprehensive income:														
Cumulative translation adjustments					7,221						(20)	7,201	(44)	7,157

Unrealized gains in available-for-sale securities and cash flow hedge					120						120		120
Realization of deemed cost					(6)					6			
Distributions:													
Allocations of net income in reserves						1,003	537	150	10,761	(12,451)			
Dividends										(6,874)	(6,874)	79	(6,795)
Balance at December 31, 2010	107,341	(279)	286	30,130	215	5,806	571	698	39,342		184,110	1,839	185,949
Capital increase with reserves	14							(14)					
Capital increase with issuing of shares													
Change in interest in subsidiaries			309								309	(292)	17
Net income										20,121	20,121	(129)	19,992
Other comprehensive income:													
Cumulative translation adjustments				(22,433)						599	(21,834)	(25)	(21,859)
Unrealized gains in available-for-sale securities and cash flow hedge					37						37		37
Realization of deemed cost					(6)					6			
Distributions:													
Allocations of net income in reserves						1,006	537	43	12,235	(13,821)			
Dividends										(6,905)	(6,905)	(121)	(7,026)
	<u>107,355</u>	<u>(279)</u>	<u>595</u>	<u>7,697</u>	<u>246</u>	<u>6,812</u>	<u>1,108</u>	<u>727</u>	<u>51,577</u>		<u>175,838</u>	<u>1,272</u>	<u>177,110</u>
Balance at December 31, 2011	107,355	316	7,943	60,224	175,838	1,272	177,110						

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Statement of Cash Flows

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

	Year ended December, 31		
	2011	2010	2009
Cash flows from Operating activities			
Net income attributable to the shareholders of Petrobras	20,121	20,055	15,308
Adjustments for:			
Non-controlling interests	(129)	394	1,551
Equity in results of non-consolidated companies	(230)	(347)	(120)
Depreciation, depletion and amortization	10,535	8,308	7,129
Impairment	1,056	402	572
Dry hole costs	1,480	1,215	1,158
Losses (gains) on disposal of non-current assets	527	179	108
Exchange variation, monetary and finance charges	3,799	(7)	(1,293)
Deferred income taxes, net	3,599	3,299	880
Increase/decrease in assets			
Accounts receivable	(2,326)	(2,454)	(191)
Inventories	(5,035)	(453)	(1,500)
Other assets	(2,537)	13	1,433
Increase/decrease in liabilities			
Trade accounts payable	2,455	248	610
Taxes payable	(1,991)	(2,089)	297
Employee's post-retirement benefits obligations - Pension and health care	893	780	531
Other liabilities	1,481	567	(528)
Net cash provided by operating activities	33,698	30,110	25,945
Cash flows from Investment activities			
"Cessão Onerosa" - Concession rights acquired		(43,868)	
Settlement made through LFTs		39,517	
Settlement made through cash and cash equivalents		(4,351)	
Other investments in exploration and production of oil and gas		(16,936)	
Investments in exploration and production of oil and gas	(18,714)	(21,287)	(16,055)
Investments in refining, transportation and marketing	(15,683)	(15,982)	(9,711)
Investments in gas and power	(2,627)	(4,135)	(5,241)
Investment in international segment	(2,360)	(2,332)	(3,197)
Investments in distribution	(630)	(494)	(291)
Investments in biofuel	(299)	(688)	(121)
Other investments	(1,400)	(607)	(768)
Marketable securities	6,683	(14,652)	194

Dividends received	<u>411</u>	<u>226</u>	<u>34</u>
Net cash used in investment activities	<u>(34,619)</u>	<u>(59,951)</u>	<u>(35,156)</u>

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Statement of Cash Flows (Continued)

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

	Year ended December, 31		
	2011	2010	2009
Cash flows from Financing activities			
Capital issuance		70,080	
Contribution in LFTs		(39,517)	
Proceeds from share issuance	-	30,563	-
Shares issuance costs	-	(279)	-
Acquisition of non-controlling interest	27	(342)	-
Financing and loans, net	-	-	-
Proceeds from borrowings	23,951	21,781	37,498
Repayment of principal	(8,750)	(11,347)	(11,992)
Repayment of interest	(4,574)	(3,659)	(1,693)
Assignments of credit rights - FIDC NP	-	-	-
Dividends paid	(6,422)	(5,398)	(7,724)
Net cash provided by financing activities	4,232	31,319	16,089
	-	-	-
Effect of exchange rate on cash and cash equivalents	(1,909)	(45)	2,845
	-	-	-
Net increase/ (decrease) in cash and cash equivalents in the year	1,402	1,433	9,723
	-	-	-
Cash and cash equivalents at the beginning of the year	17,655	16,222	6,499
	-	-	-
Cash and cash equivalents at the end of the year	19,057	17,655	16,222
	-	-	-
	-	-	-
Additional information on cash flows:			
Amounts paid and received during the year			
Income tax	2,053	2,658	4,298
Third party income tax withheld at source	2,366	1,652	1,938
	4,419	4,310	6,236
Investment and financing transactions not involving cash	-	-	-
Acquisition of property, plant and equipment on credit	10	30	61
Acquisition of property, plant and equipment on contract with the transfer of benefits, risks and control of assets	21	-	55
Capital increase with public bonds, used for purchase of exploration rights			

("cessão onerosa" - concession rights acquired)	-	39,517	-
Formation of provision for decommissioning cost	1,375	964	(369)

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Segment Information

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

Revenues and net income by segment are follows:

	Year ended December 31, 2011								Total
	Refining, Exploration and Production	Transportation & Marketing	Gas & Power	Biofuel(1)	Distribution	International	Corporate (1)	Eliminations	
Sales revenues	74,117	118,630	9,738	320	44,001	16,956	-	(117,847)	145,915
Intersegments	73,601	38,146	1,304	288	731	3,777	-	(117,847)	-
Third parties	516	80,484	8,434	32	43,270	13,179	-	-	145,915
Cost of sales	(32,883)	(122,897)	(5,698)	(351)	(40,347)	(12,933)	-	115,514	(99,595)
Gross profit	41,234	(4,267)	4,040	(31)	3,654	4,023	-	(2,333)	46,320
Income (expenses)	(4,198)	(4,194)	(1,519)	(134)	(2,459)	(1,901)	(4,809)	179	(19,035)
Selling, administrative and general expenses	(489)	(3,306)	(1,038)	(66)	(2,403)	(928)	(2,456)	179	(10,507)
Exploration costs	(2,182)	-	-	-	-	(448)	-	-	(2,630)
Research and development expenses	(743)	(280)	(69)	(30)	(5)	-	(327)	-	(1,454)
Other taxes	(48)	(53)	(97)	(1)	(24)	(113)	(124)	-	(460)
Other operating income and expenses, net	(736)	(555)	(315)	(37)	(27)	(412)	(1,902)	-	(3,984)
Income (loss) before financial results, profit sharing and income taxes	37,036	(8,461)	2,521	(165)	1,195	2,122	(4,809)	(2,154)	27,285
Financial income (expenses), net	-	-	-	-	-	-	76	-	76
Equity in results of non-consolidated companies	44	(98)	238	15	5	24	2	-	230
Profit sharing	(271)	(194)	(34)	(1)	(66)	(29)	(272)	-	(867)
Income (loss) before income taxes	36,809	(8,753)	2,725	(151)	1,134	2,117	(5,003)	(2,154)	26,724
Income tax	(12,495)	3,025	(845)	56	(360)	(926)	4,145	668	(6,732)
Net income (loss)	24,314	(5,728)	1,880	(95)	774	1,191	(858)	(1,486)	19,992
Net income (loss) attributable to:									
Shareholders of Petrobras	24,326	(5,718)	1,862	(95)	774	1,179	(721)	(1,486)	20,121
Non-controlling interests	(12)	(10)	18	-	-	12	(137)	-	(129)
	24,314	(5,728)	1,880	(95)	774	1,191	(858)	(1,486)	19,992

(1) As from 2011 Biofuel's results are presented separately. This information was previously included in the Corporate Segment. For comparative purposes, the 2010 and 2009 information was reclassified.

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Segment Information (Continued)

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

	Year ended December 31, 2010								
	Exploration and Production	Refining, Transportation & Marketing	Gas & Power	Biofuel(1)	Distribution	International	Corporate (1)	Eliminations	Total
Sales revenues	54,273	97,936	8,492	272	37,282	13,519	-	(91,322)	120,452
Intersegments	54,031	32,539	1,001	238	718	2,795	-	(91,322)	-
Third parties	242	65,397	7,491	34	36,564	10,724	-	-	120,452
Cost of sales	(25,201)	(91,170)	(6,232)	(273)	(34,078)	(10,565)	-	90,374	(77,145)
Gross profit	29,072	6,766	2,260	(1)	3,204	2,954	-	(948)	43,307
Income (expenses)	(3,316)	(3,594)	(1,412)	(70)	(2,057)	(1,860)	(4,793)	167	(16,935)
Selling, administrative and general expenses	(452)	(2,924)	(1,036)	(40)	(1,976)	(875)	(2,141)	140	(9,304)
Exploration costs	(1,485)	-	-	-	-	(683)	-	-	(2,168)
Research and development expenses	(440)	(216)	(73)	-	(5)	(1)	(254)	-	(989)
Other taxes	(124)	(68)	(30)	(1)	(17)	(119)	(150)	-	(509)
Other operating income and expenses, net	(815)	(386)	(273)	(29)	(59)	(182)	(2,248)	27	(3,965)
Income (loss) before financial results, profit sharing and income taxes	25,756	3,172	848	(71)	1,147	1,094	(4,793)	(781)	26,372
Financial income (expenses), net	-	-	-	-	-	-	1,551	-	1,551
Equity in results of non-consolidated companies	-	192	181	(6)	4	(13)	(11)	-	347
Profit sharing	(317)	(223)	(39)	-	(70)	(28)	(319)	-	(996)
Income (loss) before income taxes	25,439	3,141	990	(77)	1,081	1,053	(3,572)	(781)	27,274
Income tax	(8,641)	(1,015)	(275)	24	(371)	(254)	3,429	278	(6,825)
Net income (loss)	16,798	2,126	715	(53)	710	799	(143)	(503)	20,449
Net income (loss) attributable to:									
Shareholders of Petrobras	16,874	2,088	736	(53)	710	730	(527)	(503)	20,055
Non-controlling interests	(76)	38	(21)	-	-	69	384	-	394
	16,798	2,126	715	(53)	710	799	(143)	(503)	20,449

(1) As from 2011 Biofuel's results are presented separately. This information was previously included in the Corporate Segment. For comparative purposes, the 2010 and 2009 information was reclassified.

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Segment Information (Continued)

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

	Year ended December 31, 2009								Total
	Exploration and Production	Refining, Transportation & Marketing	Gas & Power	Biofuel (1)	Distribution	International	Corporate (1)	Eliminations	
Sales revenues	38,759	74,381	4,923	118	29,652	10,239	-	(66,926)	91,146
Intersegments	38,286	25,136	938	117	685	1,764	-	(66,926)	-
Third parties	473	49,245	3,985	1	28,967	8,475	-	-	91,146
Cost of sales	(19,907)	(61,376)	(3,377)	(137)	(27,081)	(8,314)	-	66,169	(54,023)
Gross profit	18,852	13,005	1,546	(19)	2,571	1,925	-	(757)	37,123
Income (expenses)	(3,864)	(2,778)	(909)	(49)	(1,585)	(1,568)	(3,559)	112	(14,200)
Selling, administrative and general expenses	(335)	(2,351)	(533)	(31)	(1,585)	(808)	(1,840)	128	(7,355)
Exploration costs	(1,575)	-	-	-	-	(486)	-	-	(2,061)
Research and development expenses	(259)	(169)	(32)	-	(5)	(2)	(218)	-	(685)
Other taxes	(48)	(47)	(19)	(1)	(13)	(78)	(121)	-	(327)
Other operating income and expenses, net	(1,647)	(211)	(325)	(17)	18	(194)	(1,380)	(16)	(3,772)
Income (loss) before financial results, profit sharing and income taxes	14,988	10,227	637	(68)	986	357	(3,559)	(645)	22,923
Financial income (expenses), net	-	-	-	-	-	-	97	-	97
Equity in results of non-consolidated companies	-	126	124	-	(14)	(116)	-	-	120
Profit sharing	(281)	(114)	(23)	(1)	(58)	(34)	(349)	-	(860)
Income (loss) before income taxes	14,707	10,239	738	(69)	914	207	(3,811)	(645)	22,280
Income tax	(4,938)	(3,411)	(193)	23	(331)	(258)	3,427	260	(5,421)
Net income (loss)	9,769	6,828	545	(46)	583	(51)	(384)	(385)	16,859
Net income (loss) attributable to:									
Shareholders of Petrobras	9,825	6,742	487	(46)	582	(123)	(1,774)	(385)	15,308
Non-controlling interests	(56)	86	58	-	-	72	1,391	-	1,551
	9,769	6,828	545	(46)	582	(51)	(383)	(385)	16,859

(1) As from 2011 Biofuel's results are presented separately. This information was previously included in the Corporate Segment. For comparative purposes, the 2010 and 2009 information was reclassified.

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Segment Information (Continued)

Years ended December 31, 2011 and 2010

(In millions of Dollars)

The following represents the Company's assets by segments:

Assets	Exploration and Production	Refining, Transportation & Marketing	Gas & Power	Biofuel (1)	Distribution	International	Corporate (1)	Eliminations	Total
Current assets	5,617	21,966	2,509	128	4,241	4,410	32,990	(7,269)	64,592
Non-current assets	135,496	62,364	25,136	1,161	3,644	15,017	12,336	(336)	254,818
Long-term receivables	4,140	4,217	1,626	17	663	2,913	8,717	(336)	21,957
Investments	12	3,362	1,152	859	45	999	101	-	6,530
Property, plant and equipment, net	90,539	54,629	21,968	285	2,510	9,512	3,022	-	182,465
Intangible assets	40,805	156	390	-	426	1,593	496	-	43,866
As of December 31, 2011	141,113	84,330	27,645	1,289	7,885	19,427	45,326	(7,605)	319,410
Current assets	3,681	17,238	3,053	126	3,950	3,309	38,176	(5,974)	63,559
Non-current assets	132,919	53,277	27,056	1,007	3,434	13,649	15,455	(162)	246,635
Long-term receivables	3,762	3,605	1,608	8	576	2,352	10,888	(162)	22,637
Investments	-	3,890	1,207	670	44	1,042	104	-	6,957
Property, plant and equipment, net	83,135	45,622	24,015	328	2,404	8,716	3,884	-	168,104
Intangible assets	46,022	160	226	1	410	1,539	579	-	48,937
As of December 31, 2010	136,600	70,515	30,109	1,133	7,384	16,958	53,631	(6,136)	310,194

(1) As from 2011 Biofuel's assets are presented separately. This information was previously included in the Corporate Segment. For comparative purposes, the 2010 information was reclassified.

See the accompanying notes to the consolidated financial statements.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated Segment Information

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

Consolidated information of International Segment is presented below:

	Year ended December 31, 2011						
	Exploration and Production	Refining, Transportation & Marketing	Gas & Power	Distribution	Corporate	Eliminations	Total
Income statement							
Sales revenues	5,148	8,510	543	4,972	-	(2,217)	16,956
Intersegments	3,808	2,142	23	27	-	(2,223)	3,777
Third parties	1,340	6,368	520	4,945	-	6	13,179
Income (loss) before financial results, profit sharing and income taxes	2,379	(136)	115	80	(304)	(12)	2,122
Net income (loss) attributable to shareholders of Petrobras	1,331	(128)	158	67	(237)	(12)	1,179
	Year ended December 31, 2010						
	Exploration and Production	Refining, Transportation & Marketing	Gas & Power	Distribution	Corporate	Eliminations	Total
Income statement							
Sales revenues	3,738	7,498	548	4,125	-	(2,390)	13,519
Intersegments	2,990	2,142	44	33	-	(2,414)	2,795
Third parties	748	5,356	504	4,092	-	24	10,724
Income (loss) before financial results, profit sharing and income taxes	1,217	43	70	5	(233)	(8)	1,094
Net income (loss) attributable to shareholders of Petrobras	863	52	85	5	(267)	(8)	730
	Year ended December 31, 2009						

	<u>Exploration and Production</u>	<u>Refining, Transportation & Marketing</u>	<u>Gas & Power</u>	<u>Distribution</u>	<u>Corporate</u>	<u>Eliminations</u>	<u>Total</u>
Income statement							
Sales revenues	2,838	5,833	495	2,755	15	(1,697)	10,239
Intersegments	1,952	1,403	58	45	5	(1,699)	1,764
Third parties	886	4,430	437	2,710	10	2	8,475
Income (loss) before financial results, profit sharing and income taxes	577	(56)	79	19	(293)	31	357
Net income (loss) attributable to shareholders of Petrobras	388	(94)	99	18	(565)	31	(123)
Total Assets							
As of December 31, 2011	14,585	3,393	929	1,007	1,819	(2,306)	19,427
As of December 31, 2010	12,432	3,261	911	988	1,705	(2,339)	16,958

See the accompanying notes to the consolidated financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements

Years ended December 31, 2011, 2010 and 2009

(In millions of Dollars)

1. The Company and its operations

Petróleo Brasileiro S.A. - Petrobras is a Brazilian petroleum company which, directly or through its subsidiaries (referred to jointly as “Petrobras” or “the Company”) is dedicated to prospecting, drilling, refining, processing, trading and transporting petroleum originating from wells, shale or other rocks, and oil products, natural gas and other liquid hydrocarbons, in addition to activities connected with energy and it may carry out research, development, production, transport, distribution and trading of all forms of energy, as well as any other correlated or similar activities. The Company’s head office is located in Rio de Janeiro - RJ.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements are being presented in accordance with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB) in U.S. dollar.

The consolidated financial statements were authorized for issue by the Board of Directors on February 28, 2012.

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these consolidated financial statements.

2.3 Functional and presentation currency

Petrobras has selected the U.S. Dollar as its presentation currency. The functional currency of Petrobras and all Brazilian subsidiaries is the Brazilian Real. The functional currency of Petrobras International Finance Company – PifCo and some subsidiaries and certain of the special purpose companies that operate in the international economic environment is the U.S. dollar, and the functional currency of Petrobras Argentina is the Argentine Peso.

The U.S. dollar amounts for the years presented have been translated from the Brazilian Real amounts in accordance with IAS 21 “The effects of changes in foreign exchange rates”. Transactions occurring in foreign currencies are first remeasured to the Brazilian Real and then translated to the U.S. dollar, with remeasurement gains and losses being recognized in the income statement.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

2. Basis of preparation (Continued)

2.3 Functional and presentation currency (Continued)

The Company has translated all assets and liabilities into U.S. dollars at the current exchange rate and all accounts in the statements of income and cash flows (including amounts relative to local currency indexation and exchange variances on assets and liabilities denominated in foreign currency) at the average rates prevailing during the year. The net translation gain or loss resulting from this remeasurement process was excluded from income and presented as a cumulative translation adjustment (“CTA”) within “Accumulated other comprehensive income” in the consolidated statements of changes in shareholders’ equity.

The cumulative translations adjustment was set to nil at January 1, 2009 (the transition date of IFRS).

2.4 Use of estimates and judgments

In the preparation of the consolidated financial statements it is necessary to use estimates and assumptions for certain assets, liabilities and other transactions. These estimates include: oil and gas reserves, pension and health plans liabilities, depreciation, depletion and amortization, decommissioning costs, provisions for contingencies, fair value of financial instruments, present value adjustments of accounts receivable and payable of relevant transactions, income tax. Although Management uses its best estimates and judgments that are reviewed periodically, the actual results could differ from these estimates.

2.5 Business segment reporting

The following segment information has been prepared in accordance with IFRS 8 - Business segments.

Transactions carried out with third parties and between business segments are measured in accordance with internal transfer prices based on market information.

The Company operates under the following segments:

a) Exploration and Production: This segment covers the activities of exploration, production development and production of oil, NGL (natural gas liquid) and natural gas in Brazil, for the purpose of supplying, as a priority, refineries in Brazil and, also, selling on the domestic and foreign markets the surplus petroleum and oil products produced in their natural gas processing plants.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

2. Basis of preparation (Continued)

2.5 Business segment reporting (Continued)

b) Refining, Transportation & Marketing: This segment covers the refining, logistics, transport and trading activities of oil and oil products, exporting of ethanol, extraction and processing of shale, as well as holding interests in companies of the petrochemical sector in Brazil.

c) Gas and Power: This segment covers activities of transportation and trading of natural gas produced in Brazil or imported, transportation and trading of LNG, generation and trading of electric power, as well as the corporate interests in transporters and distributors of natural gas and in thermoelectric power stations in Brazil, in addition to being responsible for the fertilizer business.

d) Biofuel: This segment covers activities of production of biodiesel and its co-products and ethanol activities, through equity investments, production and marketing of ethanol, sugar and the excess electric power generated from sugarcane bagasse.

e) Distribution: This segment covers the distribution of oil products, ethanol and compressed natural gas in Brazil, represented by the operations of Petrobras Distribuidora.

f) International: This segment covers activities for exploration and production of oil and gas, refining, transportation and marketing, gas and power, and distribution, carried out abroad in a number of countries in the Americas, Africa, Europe and Asia.

The items that cannot be attributed to the other segments, notably those linked to corporate financial management, the overheads related to central administration and other expenses, including actuarial expenses related to the pension and healthcare plans for retired employees and pensioners, are allocated in the corporate segment.

3. Consolidation basis

The consolidated financial statements of subsidiaries, jointly controlled entities and specific purpose entities are included in the consolidated financial statements pursuant to the accounting policies adopted by Petrobras.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

3. Consolidation basis (Continued)

The consolidated financial statements comprise the consolidated financial statements of Petrobras and the following companies:

a) Subsidiaries

Subsidiaries	Country	Ownership percentage - %	
		Subscribed, paid in and voting	
		2011	2010
Petrobras Química S.A. - Petroquisa and its subsidiaries	Brazil	100.00	100.00
Petrobras Distribuidora S.A. - BR and its subsidiaries	Brazil	100.00	100.00
Braspetro Oil Services Company - Brasoil and its subsidiaries (i)	Cayman Islands	100.00	100.00
Braspetro Oil Company - BOC (i)	Cayman Islands	99.99	99.99
Petrobras Internacional Braspetro B.V. - PIBBV and its subsidiaries (i) (ii)	Holand	100.00	100.00
Petrobras Comercializadora de Energia Ltda. - PBEN (iii)	Brazil	100.00	100.00
Petrobras Negócios Eletrônicos S.A. - E-Petro (iv)	Brazil	100.00	100.00
Petrobras Gás S.A. - Gaspetro and its subsidiaries	Brazil	99.99	99.99
Petrobras International Finance Company - PifCo and its subsidiaries (i)	Cayman Islands	100.00	100.00
Petrobras Transporte S.A. - Transpetro and its subsidiaries	Brazil	100.00	100.00
Downstream Participações Ltda. and its subsidiary	Brazil	99.99	99.99
Petrobras Netherlands B.V. - PNBV and its subsidiaries (i)	Holand	100.00	100.00
5283 Participações Ltda.	Brazil	100.00	100.00
FAFEN Energia S.A. and its subsidiary (v)	Brazil		100.00
Baixada Santista Energia Ltda.	Brazil	100.00	100.00
Sociedade Fluminense de Energia Ltda. - SFE	Brazil	100.00	100.00
Termorio S.A.(v)	Brazil		100.00
Termoceaná Ltda.	Brazil	100.00	100.00
Termomacaé Ltda.	Brazil	100.00	100.00
Termomacaé Comercializadora de Energia Ltda.	Brazil	100.00	100.00
Usina Termelétrica de Juiz de Fora S.A (v)	Brazil		100.00
Fundo de Investimento Imobiliário RB Logística - FII	Brazil	99.00	99.00
Termobahia S.A.	Brazil	98.85	98.85
Petrobras Biocombustível S.A.	Brazil	100.00	100.00
Refinaria Abreu e Lima S.A.	Brazil	100.00	100.00
Cordoba Financial Services Gmbh - CFS and its subsidiary (i)	Austria	100.00	100.00
Companhia Locadora de Equipamentos Petrolíferos S.A. – CLEP	Brazil	100.00	100.00
Comperj Petroquímicos Básicos S.A.(v)	Brazil		100.00
Comperj PET S.A.(v)	Brazil		100.00
Comperj Participações S.A.	Brazil	100.00	100.00
Comperj Estirênicos S.A.	Brazil	100.00	100.00
Comperj MEG S.A.	Brazil	100.00	100.00
Comperj Poliolefinas S.A.	Brazil	100.00	100.00

Breitener Energética S.A. and its subsidiaries	Brazil	65.00	65.00
Cayman Cabiunas Investment CO. (i)	Cayman Islands	100.00	100.00
Ibiritermo S.A.	Brazil	50.00	50.00
Innova S.A.	Brazil	100.00	
Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPU (vi)	Brazil	100.00	
Companhia de Recuperação Secundária S.A. – CRSEC	Brazil	100.00	

(i) Companies headquartered abroad with consolidated financial statements prepared in a foreign currency.

(ii) 11.87% interest in 2011 (11.45% in 2010) of 5283 Participações Ltda.

(iii) 0.09% interest of Petrobras Gás S. A. - Gaspetro.

(iv) 0.05% interest of Downstream.

(v) Companies merged into Petrobras - Petróleo Brasileiro S.A.

(vi) 20% interest of Comperj Participações S.A.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

3. Consolidation basis (Continued)

b) Specific purpose entities - SPE

<u>Specific purpose entities - SPE</u>	<u>Country</u>	<u>Main activity</u>
Charter Development LLC – CDC (i)	USA	Exploration and production
Companhia de Desenvolvimento e Modernização de Plantas Industriais – CDMPI	Brazil	Refining
Nova Transportadora do Nordeste S.A. – NTN	Brazil	Logistics
Nova Transportadora do Sudeste S.A. – NTS	Brazil	Logistics
PDET Offshore S.A.	Brazil	Exploration and production
Fundo de Investimento em Direitos Creditórios Não-padronizados do Sistema Petrobras	Brazil	Corporate

(i) Companies headquartered abroad with consolidated financial statements prepared in a foreign currency.

Consolidated financial statements comprise the sum of assets, liabilities, income and expenses, according to their nature. Intercompany balances and transactions, including unrealized profits arising from intragroup transactions, are eliminated.

4. Summary of significant accounting policies

4.1 Recognition of revenues, costs and expenses

Sales revenues of crude oil and oil products, petrochemical products, natural gas and other related products are recognized when title passes to the customer, because at that time the amount can be reasonably measured, collectibility is reasonably assured, persuasive evidence of an arrangement exists, the seller's price to the buyer is fixed or determinable and the significant risks and rewards of ownership have been transferred. Title is transferred to the customer when delivery occurs pursuant to the terms of the sales contracts. Revenues from the production of natural gas properties in which Petrobras has an interest with other producers are recognized based on the actual volumes sold during the period. Subsequent adjustments to revenues based on production sharing agreements or volumetric delivery differences are not significant.

Sales revenues comprise the value of the consideration received or receivable for the sale of products and services, net of returns, discounts and charges on sales.

Sales revenues from freight and other services are recognized when amounts and the stage of completion of the transaction can be measured reliably.

The financial income (expenses), net include mainly income from interest on financial investments and government bonds, expenses with interest on financing, fair value gains and losses from marketable securities measurement, as well as net exchange and monetary variations.

Costs and expenses are recognized on the accrual basis.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.2 Financial assets and liabilities

4.2.1 Cash and cash equivalents

Cash and cash equivalents consist of short-term highly liquid investments which are readily convertible to cash, and with a maturity of three months or less from the date of acquisition.

4.2.2 Marketable securities

Marketable securities have been classified by the Company based upon management's strategies in the following categories:

- Trading securities, which are marked-to-market through profit or loss;
- Available-for-sale securities, which are marked-to-market through other comprehensive income;
- Held-to-maturity securities, which are recorded at amortized cost.

Interest and monetary correction of the securities are recorded in the income statement.

4.2.3 Accounts receivable

Accounts receivable are initially measured at fair value of the amount of the consideration to be received and, subsequently, at amortized cost using the effective interest rate method, reduced by impairment losses through use of an allowance for recoverable amount.

4.2.4 Loans and financing

They are initially recognized at fair value less transaction costs incurred and, after initial recognition, are measured at amortized cost using the effective interest rate method.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.2.5 *Derivative financial instruments and hedge operations*

Derivative financial instruments are recognized in the Company's financial position as either, both in assets or liabilities, and are measured at fair value, which is determined based on market prices, when available.

The Company uses derivative financial instruments, not designated as hedging instruments in a hedging relationship, to mitigate the risk of unfavorable price changes in oil purchases and foreign currencies. These instruments are marked-to-market with the associated gains or losses recognized as "Financial income" or "Financial expenses".

In hedging relationships qualified for cash flow hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized in profit or loss. Gains or losses that were recognized in other comprehensive income are reclassified to profit or loss when the hedged transaction affects profit or loss.

4.2.6 *Common and preferred shares*

Common and preferred shares are classified as equity instruments and presented in the shareholders' equity. Shares issuance costs are classified as additional paid in capital and presented net of tax effects as a reduction of the shareholders' equity.

Preferred shares have priority over common shares in the event of reimbursement of capital and receipt of dividends. Dividends distributed to this class of share are based on, at least, the higher amount among the following of: 3% over the net book value of shareholders equity, regarding preferred shares interest, or 5% of the paid-in capital regarding preferred shares. Preferred shares of Petrobras also have the following characteristics: do not grant any voting rights; are non-convertible into common shares and participate under the same terms as common shares, in the capital increases resulting from the incorporation of reserves and profits.

The minimum mandatory dividends comply with the limits defined in the Company's bylaws and are recognized as liabilities.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.3 Inventories

Inventories are stated as follows:

- Raw material comprises mainly the stocks of petroleum, which are stated at the average value of the importing and production costs, adjusted, when applicable, to their net realizable value;
- Oil products and fuel alcohol are stated at average refining or purchase cost, adjusted, when applicable, to their net realizable value;
- Materials and supplies are stated at average purchase cost, not exceeding replacement cost. Imports in transit are stated at identified cost.

4.4 Investments in associates and jointly controlled entities

These investments encompass interest in: entities over which the Company has significant influence in the financial and operating policy decisions, an associate; and entities under common control, jointly controlled entities. Both types of investments are accounted for based on the equity method of accounting.

4.5 Business combinations and goodwill

Business combinations are accounted for based on the acquisition method. According to the general principles of the acquisition method each identifiable asset acquired and liability assumed is measured at its acquisition-date fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred and the fair value of any non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. A gain is recognized when the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceed the aggregate of the consideration transferred and the fair value of any non-controlling interest in the acquire.

Goodwill arising from investments in associates and jointly controlled entities is accounted for as part of these investments. It is measured by the excess of the cost of the investment over the proportional share of the net asset's fair value.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.6 Property, plant and equipment, net

Valuation

Property, plant and equipment, net is stated at the cost of acquisition or construction, which represents the costs incurred for bringing the asset to the condition for operation, adjusted during hyperinflationary periods, less accumulated depreciation and impairment losses.

The costs incurred in connection with the exploration, development and production of oil and gas are accounted for in accordance with the successful efforts method. This method requires that capitalization of costs incurred in connection with the development of proved reserve areas and successful exploratory wells. In addition, costs related to geological and geophysical activities are expensed when incurred and exploratory wells drilled in areas of unproved reserves are expensed when determined to be dry or non-economical.

Expenditures on major maintenance of industrial units and ships are capitalized if certain recognition criteria of IAS 16 are met. Such maintenance occurs, on average, every four years.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalized as part of the costs of these assets. Borrowing costs of funds borrowed generally are capitalized based on the Company's weighted average cost of borrowings, excluding borrowing costs directly attributable.

Depreciation

Depreciation, depletion and amortization of proved oil and gas producing properties, except for signature bonus, is accounted for according to the unit-of-production method, applied on a field by field basis, based on the ratio of reserves produced.

Reserves are estimated by the Company's technical experts according to the criteria established by the U.S. Securities and Exchange Commission – SEC. Estimates are revised for depreciation, depletion and amortization purposes at least once a year or on interim basis, if material changes occur.

The straight-line method is used for assets with a useful life shorter than the life of the field.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.6 Property, plant and equipment, net (Continued)

Except for land, which is not depreciated, other property, plant and equipment are depreciated on a straight line basis, in accordance with the following estimated useful lives:

<u>Class of assets</u>	<u>Useful life weighted average</u>
Buildings and improvements	25 years (25-40 years)
Equipment and other assets	20 years (3-31 years)

The stoppages for maintenance occur in programmed intervals, on average, of 4 years, and the respective expenses are depreciated as a production cost until the beginning of the following stoppage.

4.7 Intangible assets

Intangible assets are stated at the cost, less accumulated amortization and impairment losses. It comprise rights and concessions that include: the signature bonus paid for obtaining concessions for exploration of oil and natural gas, including assignment agreement in blocks of the pre-salt area (“Cessão Onerosa”); public service concessions; trademarks; patents; software and goodwill.

Amortization of signature bonus costs of producing properties is recorded using the unit-of-production method, applied on a field by field basis, based on the ratio of reserves produced. Other intangible assets with definite useful life are amortized on a straight line basis.

4.8 Impairment

Property, plant and equipment and intangible assets with definite useful lives are assessed for impairment when there is evidence that the carrying amount may not be recoverable.

Assets related to exploration and development of oil and gas and assets that have an indefinite useful life, such as goodwill, are tested for impairment annually.

Assets are grouped for impairment test at the smallest identifiable group that generates largely independent cash inflows (the cash generating unit). Exploration and development of oil and gas assets are grouped by field.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.8 Impairment (Continued)

Impairment test comprises a comparison of the carrying amount of a cash generating unit with its recoverable amount. Where the carrying amount of cash generating unit exceeds its recoverable amount, it is considered impaired and is written off to its recoverable amount. Reversal of previously recognized impairment losses is permitted, except for goodwill.

The recoverable amount of an asset or group of assets is the higher amount between its fair value less cost to sell and its value in use. Value in use is generally used by the Company for impairment testing purposes, except when specifically indicated.

Value in use is estimated based on future cash flows expected to derive from an asset or cash generating unit, discounted at a pre-tax discount rate. This rate derives from the Company's weighted average cost of capital (WACC) – Post tax.

The main assumptions used for future cash flows are: prices based on the Company's most recent strategic plan; production curves associated with existing projects in the Company's portfolio, operating costs reflecting market conditions and investments required for carrying out the projects.

4.9 Leases

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to the ownership of an asset. If not, a lease is classified as an operating lease.

Finance lease arrangements are recognized as assets with the corresponding associated liabilities in the statements of financial position.

Operating lease arrangements are recognized as expenses, as these are incurred over the lease term.

4.10 Decommissioning costs

When a field is declared to be commercial, decommissioning costs are recognized as assets with the corresponding associated liabilities in the statements of financial position based on the present value of the expected future cash outflows, discounted at a pre-tax rate. Unwinding of the discount is recognized as financial expenses, when incurred.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.11 Income taxes

The Company measures current taxes based on tax rates that have been enacted or substantively enacted at the statement of financial position date. Taxable profit differs from accounting profit due to certain temporary or permanent differences.

Deferred tax assets and liabilities are recognized based on the statement of financial position liability method which focuses on temporary differences. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred tax assets and liabilities are measured based on tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

4.12 Employees' postretirement benefits

Employees' postretirement benefits are recognized based on the projected credit unit method. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

The present value of a defined benefit obligation is recognized net of the fair value of plan assets, when applicable, out of which the obligations are to be directly settled. Such surplus or deficit is determined based on actuarial assumptions, among other factors. Valuations are made with actuarial calculations which are annually revised by an independent actuary.

Actuarial assumptions are the Company's best estimates of the variables that will determine the ultimate cost of providing post-retirement benefits. It includes demographical and financial assumptions.

Actuarial gain and losses are recognized over the expected average remaining working lives of the employees participating in that plan, in accordance with the corridor method.

The Company also contributes to the national pension and social security plans of international subsidiaries, with characteristics of a defined contribution, whose percentages are based on the payroll. These contributions are expensed when incurred.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.13 Government grants

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

- Grants related to reinvestments are recognized according to depreciation of the related assets.
- Grants related to certain exploration profit are recognized directly in profit.

After being recognized as income, government grants are reclassified from retained earnings to fiscal reserves.

4.14 New standards and interpretations

During 2011 the following standards issued by IASB became effective but did not have impact on the Company's financial statements:

- Revised version of IAS 24 - Related Party Disclosures
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments
- Amendment of IFRIC 14 - Prepayments of a Minimum Funding Requirement
- Amendment of IAS 32 - Classification of Rights Issues

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

4. Summary of significant accounting policies (Continued)

4.14 New standards and interpretations (Continued)

The standards issued by IASB that have not become effective and that have not been early adopted by the Company as of December 31, 2011 are as follows:

Standards	Description	Term (*)
Amendmentsto IFRS 7	Disclosures: <i>Transfers of Financial Assets</i> .	July 1, 2011
Amendmentsto IAS 12	<i>Deferred Tax: Recovery of Underlying Assets</i> . Establishes criteria for calculating the taxbase of an asset.	January 1, 2012
IFRS 10	<i>Consolidated Financial Statements</i> . Establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities.	January 1, 2013
IFRS 11	<i>Joint Arrangements</i> . Establishes principles for disclosure of financial statements of entities that are parties of joint agreements.	January 1, 2013
IFRS 12	<i>Disclosure of Interests in Other Entities</i> . Consolidates all the requirements of disclosures that an entity should carry out when participating in one or more other entities.	January 1, 2013
IFRS 13	<i>Fair Value Measurement</i> . Establishes fair value, explains how to calculate it and determines what must be disclosed about this formof calculation.	January 1, 2013
Amendmentsto IAS 1	<i>Presentation of Items of Other Comprehensive Income</i> . Includes in Other ComprehensiveIncome items that may be reclassified as profit or loss in the income statement for the year.	January 1, 2013
Amendmentsto IAS 19	<i>Employee Benefits</i> . Eliminates the corridor method for recognizing actuarial gains or losses, simplifies the presentation of changes in assets and liabilities of defined benefit plans and expands the disclosure requirements.	January 1, 2013
Amendmentsto IFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i> . Establishesdisclosure requirements for compensation agreements of financial assets and liabilities.	January 1, 2013
Amendmentsto IFRS 9	<i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i> . Postpones the date ofenforcement of IFRS 9 to 2015 . Also eliminates the requirement for republication of comparative information and requires additional disclosures about the transition to IFRS 9.	January 1, 2015

(*) Standards valid as from the years beginning on or after these dates.

The Company is assessing the impacts of the amendment to IAS 19 on its financial statements. With respect to the other amendments and new standards listed above, the Company estimates that their adoption will not have a material impact on its financial statements.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

5. Cash and cash equivalents

	As of December, 31	
	2011	2010
Cash and banks	1,989	1,978
Financial investments		
- In Brazil		
Deposit	5,492	6,759
Other investment funds	2,279	1,050
	7,771	7,809
- Abroad	9,297	7,868
Total financial investments	17,068	15,677
Total cash and cash equivalents	19,057	17,655

Financial investments in Brazil are represented by investment funds whose resources are generally invested in federal government bonds.

Investments abroad comprise time deposits with maturities of up to 3 months and other short-term fixed income instruments, made with major institutions.

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Consolidated notes to the financial statements (Continued)

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6. Marketable securities

	As of December, 31	
	2011	2010
Trading securities	8,949	15,395
Available-for-sale	2,921	3,183
Held-to-maturity	155	154
	12,025	18,732
Current	8,961	15,612
Non-current	3,064	3,120

Available-for-sale securities are presented as “Non-current assets” and include Series B National Treasury Notes (“NTN - B”) in the amount of US\$ 2,879 as of December 31, 2011. In 2008, NTN - B, where given in guarantee to Petros as a result of the Term of Financial Commitment, as described in Note 21. The nominal value of the NTN-Bs is measured based on variations in the Amplified Consumer Price Index (IPCA). The maturities of these notes are 2024 and 2035 and they bear interest coupons of 6% p.a., which is paid semi-annually.

The trading securities refer mostly to investments in public bonds with maturity terms of more than 90 days and are presented in current assets considering their expectation of realization in the short term.

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(Expressed in millions of US Dollars, except when specifically indicated)

7. Accounts receivable

7.1 Accounts receivable, net

	<u>As of December, 31</u>	
	<u>2011</u>	<u>2010</u>
Trade Accounts Receivable		
Third parties	10,688	9,860
Related parties (Note 18)		
Associates	826	670
Receivables from the electricity sector	1,574	1,888
Petroleum and alcohol accounts - Receivable from Federal Government	444	493
Others	2,964	2,803
	<u>16,496</u>	<u>15,714</u>
Allowance for uncollectible accounts	(1,487)	(1,609)
	<u>15,009</u>	<u>14,105</u>
Current	11,756	10,845
Non-current	3,253	3,260

7.2 Changes in the allowance for uncollectible accounts

	<u>As of December, 31</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Opening balance	1,609	1,454	1,204
Additions(*)	283	201	130
Write-offs/ Reversals(*)	(220)	(118)	(266)
Accumulated Translation	(185)	72	386
Closing balance	1,487	1,609	1,454
Current	898	1,029	888
Non-current	589	580	566

(*) It includes exchange variation on allowance for uncollectible accounts recorded in companies abroad.

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(Expressed in millions of US Dollars, except when specifically indicated)

7. Accounts receivable (Continued)**7.3 Accounts receivable - overdue**

	As of December 31,	
	2011	2010
Up to 3 months	752	490
From 3 to 6 months	115	97
From 6 to 12 months	141	127
More than 12 months	1,590	1,811

8. Inventories

	As of December 31,	
	2011	2010
Products:		
Oil products(*)	4,886	3,753
Fuel alcohol(*)	417	286
	<u>5,303</u>	<u>4,039</u>
Raw materials, mainly crude oil (*)	7,915	5,704
Maintenance materials and supplies (*)	1,796	1,952
Other	196	157
	<u>15,210</u>	<u>11,852</u>
Current	15,165	11,808
Non-current	45	44

(*) Includes imports in transit.

9. Restricted deposits for legal proceedings and guarantees

The restricted deposits for legal proceedings and guarantees are presented according to the nature of the corresponding lawsuits:

	As of December 31,	
	2011	2010
Labor	603	557
Tax(*)	674	715
Civil(*)	243	358
Other	55	44
Total	<u>1,575</u>	<u>1,674</u>

(*) Net of deposits related to judicial proceedings for which a provision is recorded, when applicable.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

10. Acquisitions and sales of assets and interests

10.1 Business Combinations

Companhia de Desenvolvimento de Plantas Utilidades S.A (CDPU)

On December 23, 2011, Petrobras purchased 80% of Companhia de Desenvolvimento de Plantas Utilidades S.A (CDPU) for US\$ 11. As a result of the purchase, Petrobras became holder of 100% of CDPU.

CDPU is a utilities center that concentrates the units for generating electricity and steam, treating water and industrial effluents for the Petrochemical Complex of Rio de Janeiro (COMPERJ).

Gas Brasileiro Distribuidora S.A.

On July 29, 2011, Petrobras Gás S.A. (Gaspetro) acquired 100% of the shares of Gas Brasileiro Distribuidora S.A. (GBD) for US\$ 271. The appraisal of the fair value of the assets acquired and liabilities assumed has not been concluded and, therefore, preliminarily, a goodwill of US\$ 12 was recognized.

The transaction was authorized by the São Paulo regulatory agency in April, 2011 and the addendum to GBD's concession agreement was signed in July 2011, complying with the conditions established in the agreement entered into with Ente Nazionale Idrocarburi S.p.A. (ENI) in 2010.

GBD holds the concession for the natural gas distribution service in the northwest of the State of São Paulo. The concession agreement began in December 1999 with a duration of 30 years and it may be renewed for another 20 years.

10.2 Acquisition of interests in jointly-controlled entities and in associates

BSBios Marialva Indústria e Comércio de Biodiesel Sul Brasil S.A.

On July 1, 2011, Petrobras Biocombustível S.A. purchased 50% of interest in BSBios Indústria e Comércio de Biodiesel Sul Brasil S.A by transferring consideration in the amount of US\$ 85 through: US\$ 49 in cash and US\$ 36 regarding interest in BSBios Marialva Indústria e Comércio de Biodiesel S.A.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

10. Acquisitions and sales of assets and interests (Continued)

10.2 Acquisition of interests in jointly-controlled entities and in associates (Continued)

Valuation of net assets at fair value – Nova Fronteira, Bioóleo, Braskem, Guarani and Total Canavieira

In 2010, the Company entered into agreements for investing in the capital of the following companies: Nova Fronteira Bioenergia S.A., Bioóleo Industrial e Comercial Ltda, Braskem S.A., Guarani S.A and Total Agroindústria Canavieira S.A. In 2011, appraisals of the net assets purchased at fair value were concluded, as follows:

	Jointly controlled		Affiliated companies			Total
	Nova Fronteira	Bioóleo	Braskem	Guarani	Total Agroindústria Canavieira	
Consideration transferred for the purchase	230	10	1,495	468	83	2,286
Interest in the fair value of the net assets acquired	(227)	(9)	(1,194)	(426)	(47)	(1,903)
Goodwill	3	1	301	42	36	383
Interest acquired of total capital (%)	49.00%	50.00%	10.69%	31.44%	43.58%	

The interest in the fair value of the net assets acquired includes a surplus value of property, plant and equipment, net and intangible assets in the amount of US\$ 191 which is classified as investments, as well as goodwill in the amount of US\$ 383.

10.3 Acquisition of non-controlling interests

Specific Purpose Entities - SPE

During 2011, the Company exercised certain SPE's purchase options which resulted in an increase of US\$ 486 in the shareholders' equity, as additional paid in capital, as follows:

Date of Option	Corporate name of SPE	% of shares	Additional paid-in capital
01/12/2011	Companhia Mexilhão do Brasil - CMB	100%	60
11/11/2011	Transportadora Gasene S.A. - Gasene	100%	421
12/09/2011	Companhia de Recuperação Secundária - CRSec	100%	5
			<u>486</u>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

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10. Acquisitions and sales of assets and interests (Continued)

10.3 Acquisition of non-controlling interests (Continued)

Specific Purpose Entities – SPE (Continued)

As a result of the exercise, Gasene Participações Ltda, former parent company of Transportadora Gasene, ceased to be consolidated in Petrobras.

Innova S.A.

On March 31, 2011, Petrobras acquired non-controlling interest in Innova, a petrochemical company located in the industrial park of Triunfo (Rio Grande do Sul State), becoming holder of 100% of Innova' shares. This transaction resulted in a decrease of US\$ 55 in the Petrobras shareholders' equity.

10.4 Sale of assets and other information

Cia Energética Suape II

Petrobras holds a 20% interest in Energética Suape II S.A, whose purpose is the construction of a thermoelectric power station in the municipality of Cabo de Santo Agostinho - PE, with an output of 380 MW. The remaining interest (80%) belongs to Nova Cibe Energia S.A.

On May 31, 2011, Petrobras paid US\$ 31 for the shares not subscribed by Nova Cibe, for which the exercise of the purchase option occurred on May 5, 2011, as established in the Suape II Shareholders' Agreement.

The deposit has been classified as Investments, until resolution of the conflict by arbitration.

Albacora Japão Petróleo Ltda.

On May 6, 2011, Petrobras exercised its purchase option for the oil production assets of SPE Albacora Japão Petróleo Ltda for the amount of US\$ 6 thousand. As from this purchase option, the SPE ceased to be consolidated in Petrobras, in compliance with the related contractual obligations.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

10. Acquisitions and sales of assets and interests (Continued)

10.4 Sale of assets and other information (Continued)

Sale of the San Lorenzo refinery and part of the distribution network in Argentina

On May 2, 2011, the Company sold refining and distribution assets in Argentina to Oil Combustibles S.A. for US\$ 102, pursuant to an agreement signed in 2010. The transaction, which is subject to approval by the Argentine regulatory agency, comprised a refinery located in San Lorenzo in the province of Santa Fé, a fluvial plant, a fuel trading network connected to the refinery (approximately 360 sales outlets and associated wholesale clients), as well as the inventories of oil and oil products.

Logum Logística S.A

On March 1, 2011, the corporate name of PMCC Soluções Logística de Etanol S.A. was changed to Logum Logística S.A., in accordance with the shareholders' agreement. The shareholding breakdown is as follows: Petrobras - 20%; Copersucar S.A.- 20%; Raizen Energia S.A. - 20%; Odebrecht Transport Participações S.A. - 20%; Camargo Correa Óleo e Gás S.A. - 10% and Uniduto Logística S.A. - 10%.

Logum will be responsible for the construction of a multimodal logistics system for the transportation and storage of ethanol, and the development and operation of the system which involves a polyduct, waterways, roads and coastal shipping.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

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11. Investments

11.1 Information of subsidiaries, jointly controlled entities and associates

	Subscribed capital as of December 31, 2011	Thousands of shares/ quotas			Net income (loss) for the year
		Common shares/ quotas	Preferred shares	Shareholders' equity	
Subsidiaries					
Petrobras Netherlands B.V. - PNBV	3,851	26,057		7,664	2,189
Petrobras Gás S.A. - Gaspetro	3,526	3,103	775	5,637	491
Petrobras Distribuidora S.A. - BR	2,747	42,853,453		5,382	757
Petrobras Química S.A. - Petroquisa	2,019	13,508,637	12,978,886	2,407	(299)
Petrobras Transporte S.A. - Transpetro	1,314	2,464,466		1,728	376
Refinaria Abreu e Lima S.A.	1,540	2,889,240		1,598	(441)
Petrobras Biocombustível S.A.	1,014	190,239		787	(124)
Companhia Locadora de Equipamentos Petrolíferos S.A. - CLEP	441	180,000		785	(2)
Petrobras International Finance Company - PifCo	283	300,050		(727)	(378)
Downstream Participações Ltda.	654	1,226,500 (*)		611	(288)
Termomacaé Ltda.	338	634,015 (*)		396	106
Comperj Poliolefinas S.A.	347	65,108		347	
Petrobras International Braspetro - PIB BV	3	2,837		246	749
INNOVA S.A.	164	57,600	5,747	199	23
Termoceaná Ltda.	147	275,226 (*)		170	24
Petrobras Comercializadora de Energia Ltda. - PBEN	116	216,852 (*)		144	27
Baixada Santista Energia Ltda.	158	297,136 (*)		128	(13)
Braspetro Oil Services Company - Brasoil	187	106,210		115	(11)
Termomacaé Comercializadora de Energia Ltda	42	77,599 (*)		61	42
Sociedade Fluminense de Energia Ltda. - SFE	30	55,556 (*)		55	64
Comperj Estirênicos S.A.	46	8,739		46	
Comperj MEG S.A.	41	7,696		41	
5283 Participações Ltda.	759	1,422,603 (*)		29	85
Breitener Energética S.A.	85	160,000		25	(46)
Cordoba Financial Services GmbH	3	1 (**)		22	
Termobahia S.A.	166	52		22	4
Petrobras Negócios Eletrônicos S.A. - E-Petro	11	21,000		15	1
Companhia de Desenvolvimento de Plantas Utilidades S.A. - CDPUI	13	25,001		13	
Fundo de Investimento Imobiliário RB Logística - FII	1	117,127 (*)		6	5
Companhia de Recuperação Secundária S.A. - CRSEC		43,456		5	
Comperj Participações S.A.	10	1,771		4	(5)
Braspetro Oil Company - BOC		1 (**)			63
Cayman Cabiunas Investment Co.		100 (**)	25,500		

Jointly controlled entities

UTE Norte Fluminense S.A.	256	481,432		537	328
Termoaçu S.A.	373	699,737		387	9
Logum Logística S.A. former PMCC Soluções e Logísticas de Etanol S.A.	160	430,556		141	(16)
Brasil PCH S.A.	58	94,188	14,844	87	30
Cia Energética Manauara S.A.	24	45,000		76	16
Ibiriterno S.A.	4	7,652		51	21
Brasympe Energia S.A.	14	260,000		42	5
Participações em Complexos Bioenergéticos S.A. - PCBIOS	34	62,850		33	(2)
Refinaria de Petróleo Riograndense S.A.	8	5,158	10,138	28	10
Eólica Mangue Seco 4 - Geradora e Comercializadora de Energia Elétrica S.A.	21	39,918		22	2
Eólica Mangue Seco 3 - Geradora e Comercializadora de Energia Elétrica S.A.	21	38,911		22	2
Eólica Mangue Seco 2 - Geradora e Comercializadora de Energia Elétrica S.A.	19	35,353		20	2
Brentech Energia S.A.	21	25,901		19	
Eólica Mangue Seco 1 - Geradora e Comercializadora de Energia Elétrica S.A.	18	35,433		18	1
GNL do Nordeste Ltda.	1	7,507 (*)			

Associates

Braskem	4,288	451,669	349,997	5,293 (***)	(201) (***)
BRK - Investimentos Petroquímicos	1,297	269,193		2,730	(168)
UEG Araucária Ltda.	377	707,440 (*)		340	(4)
Fundo de Investimento em Participações de Sondas	138	261,573 (*)		136	(2)
Sete Brasil Participações S.A.	144	16,500		113	(35)
Termoelétrica Potiguar S.A. - TEP	20	6,159		49	2
Energética SUAPE II	75	139,977		30	(16)
Energética Camaçari Muriçy I Ltda.	36	67,260		12	(9)
Companhia Energética Potiguar S.A.	4	1		11	7
Arembepe Energia S.A.	48	90,218		6	(20)
Bioenergética Britarumã S.A.		110			

(*) Quotas

(**) Number of shares in units

(***) Data with respect to 09/30/2011 - the most recent data available on the market

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

11. Investments (Continued)

11.2 Investments

	2011	2010
Associates and jointly controlled entities		
BRK Investimentos Petroquímicos S.A.	1,652	1,963
Other petrochemical investments	1,668	1,935
Gas distributors	563	576
Guarani S.A.	452	408
Termoaçu S.A.	287	314
Petroritupano - Orielo	244	248
Nova Fronteira Bionergia S.A.	231	146
Petrowayu - La Concepción	176	196
Distrilec S.A.	115	137
Petrokariña - Mata	104	127
UEG Araucária	68	77
Transierra S.A.	65	61
Other associates and jointly controlled entities	783	659
	6,408	6,847
Other investments		
	122	110
	6,530	6,957

11.3 Investments in listed companies

Company	Shares		Type	Share price		Market value	
	2011	2010		2011	2010	2011	2010
Subsidiaries							
Petrobras Argentina	678,396	678,396	ON	1.00	3.00	976	1,816
						976	1,816
Associate companies							
Braskem	212,427	212,427	ON	6.00	11.00	1,334	2,269
Braskem	75,793	75,793	PNA	7.00	12.00	517	927
Quattor Petroquímica (*)		46,049	PN		4.00		193
						1,851	3,389

(*)On February 3, 2011, the company was delisted from the Brazilian Securities Commission (CVM) due to the merger of its shares by Braskem.

The market value of these shares does not necessarily reflect the realizable value of a large block of shares.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

11. Investments (Continued)

11.4 Summarized information on jointly controlled entities and associates

The Company invests in jointly controlled entities and associates abroad, whose activities are related to petrochemical companies, gas distributors, biofuels, thermoelectric power stations, refineries and others. The summarized accounting information is as follows:

	2011			
	Jointly controlled entities		Associates	
	In Brazil	Abroad	In Brazil	Abroad
Current assets	2,409	659	6,494	1,790
Non-current assets	798	204	2,115	401
Property, plant and equipment, net	4,080	1,250	12,271	1,196
Other non-current assets	69	443	2,340	-
	7,356	2,556	23,220	3,387
Current liabilities	1,656	1,105	5,466	1,699
Non-current liabilities	1,997	792	10,953	199
Shareholders' equity	3,693	559	6,685	1,489
Non-controlling interest	10	100	116	-
	7,356	2,556	23,220	3,387
Sales revenues	4,927	1,746	19,209	941
Net income	756	123	(211)	231
Ownership percentage - %	10% to 83%	33% to 51%	10% to 44%	22% to 36%

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

12. Property, plant and equipment, net

12.1 By type of asset

	Land, buildings and improvements	Equipment and other assets	Assets under construction (*)	Oil and gas producing properties	Total
Balance at December 31, 2009	4,169	39,766	66,863	17,954	128,752
Additions	126	2,950	32,727	1,784	37,587
Capitalized interest			3,141		3,141
Business combination	49	56	14		119
Write-offs	(81)	(51)	(863)	(635)	(1,630)
Transfers	1,068	19,829	(22,459)	4,478	2,916
Depreciation, amortization and depletion	(331)	(4,368)		(3,259)	(7,958)
Impairment - provision		(104)		(156)	(260)
Impairment - reversal		77		240	317
Accumulated translation adjustment	256	166	3,747	951	5,120
Balance at December 31, 2010	5,256	58,321	83,170	21,357	168,104
Cost	7,450	96,353	83,170	46,545	233,518
Accumulated depreciation, amortization and depletion	(2,194)	(38,032)		(25,188)	(65,414)
Balance at December 31, 2010	5,256	58,321	83,170	21,357	168,104
Additions	101	1,570	31,840	2,059	35,570
Capitalized interest			4,382		4,382
Business combination			12		12
Write-offs	(25)	(262)	(1,296)	(326)	(1,909)
Transfers	2,413	18,406	(23,598)	8,401	5,622
Depreciation, amortization and depletion	(473)	(5,800)		(3,904)	(10,177)
Impairment - provision		(50)	(150)	(213)	(413)
Impairment - reversal	1	15		36	52
Accumulated translation adjustment	(685)	(5,838)	(9,831)	(2,424)	(18,778)
Balance at December 31, 2011	6,588	66,362	84,529	24,986	182,465
Cost	8,990	104,477	84,529	52,272	250,268
Accumulated depreciation, amortization and depletion	(2,402)	(38,115)		(27,286)	(67,803)
Balance at December 31, 2011	6,588	66,362	84,529	24,986	182,465

25 to 40
(except land)

3 to 31

Units of production
method

Weighted average of useful life in years

(*)It includes oil and gas exploration and development assets.



Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

12. Property, plant and equipment, net (Continued)

12.2 Estimated useful life

Buildings and improvements, equipments and other assets			
Estimated useful life	Cost	Accumulated depreciation	As of December 31, 2011
Up to 5 years	4,312	(2,521)	1,791
6 - 10 years	17,595	(8,610)	8,985
11 - 15 years	1,784	(843)	941
16 - 20 years	21,146	(8,499)	12,647
21 - 25 years	23,897	(5,885)	18,012
25 - 30 years	21,896	(3,085)	18,811
More than 30 years	2,711	(1,779)	932
Unit-of Production Method	19,274	(9,296)	9,978
	112,615	(40,518)	72,097
Buildings and improvements	8,138	(2,403)	5,735
Equipments and other assets	104,477	(38,115)	66,362

12.3 Depreciation

The depreciation for the years ended December 31, 2011 and 2010 is presented as follows:

	Year ended December 31,	
	2011	2010
Recognized in inventories regarding:		
Property, plant and equipment	4,886	4,279
Exploration and production expenditures	3,266	3,207
Decommissioning	235	232
	8,387	7,718
Recognized in results of operations	748	683
	9,135	8,401

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

12. Property, plant and equipment, net (Continued)

12.4 Impairment of assets

Exploration and Production

In 2011, the Company recognized US\$ 262 of impairment charges regarding primarily, mature fields of oil and gas in Brazil taking into consideration future production curves and costs.

As a result of certain reservoirs recoverability, impairment charges recognized in prior periods in the amount of US\$ 33 were reversed during 2011.

Refining, Transportation & Marketing

In 2011, as a result of lower margins and an increase in the investments projects costs, the Company recognized impairment charges in petrochemical assets of US\$ 61 in Suape and US\$ 94 in Citepe.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

13. Intangible assets

13.1 By type of asset

	Rights and Concessions	Software		Goodwill	Total
		Acquired	Developed in-house		
Balance at December 31, 2009	2,433	211	778	476	3,898
Addition	178	51	183	-	412
Oil exploration rights – Assignment agreement	43,542	-	-	-	43,542
Acquisition through business combination	-	-	-	-	-
Capitalized interest	-	-	15	-	15
Write-off	(184)	(2)	(1)	-	(187)
Transfers	130	(7)	19	49	191
Amortization	(70)	(68)	(212)	-	(350)
Impairment - provision	(33)	-	-	-	(33)
Accumulated translation adjustment	1,390	6	34	19	1,449
Balance at December 31, 2010	47,386	191	816	544	48,937
Addition	496	64	198	11	769
Acquisition through business combination	-	-	-	2	2
Capitalized interest	-	-	21	-	21
Write-off	(167)	(3)	(7)	-	(177)
Transfers	5	12	(22)	(4)	(9)
Amortization	(87)	(67)	(204)	-	(358)
Impairment - provision	(1)	-	-	-	(1)
Accumulated translation adjustment	(5,165)	(17)	(87)	(49)	(5,318)
Balance at December 31, 2011	42,467	180	715	504	43,866
Estimated useful life - years	25	5	5	Undefined	

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

13. Intangible assets (Continued)

13.2 Oil exploration rights - Assignment Agreement (“Cessão Onerosa”)

At December 31, 2011, the Company’s intangible assets include an agreement with the Brazilian federal government and National Agency of Petroleum, Natural Gas and Biofuels (ANP) - (Assignment Agreement), under which the government assigned to the Company the right to conduct research activities and the exploration and production of fluid hydrocarbons in specified pre-salt areas (Franco, Florim, Nordeste de Tupi, Entorno de Iara, Sul de Guará e Sul de Tupi), subject to a maximum production of five billion barrels of oil equivalent up to 40 years renewable for more five years upon certain conditions.

On February 8, 2012, the Company concluded the drilling of the first well of the onerous assignment, the results of which proved the extent of the oil reserves located at the Northwest of the discovery well of the Franco area. Immediately afterwards Petrobras will conduct a formation test to assess the productivity and will continue with the activities and investments established in the contract.

The Assignment Agreement provides for a subsequent revision of the volume and the price, based on an independent third party assessment. If revision determines that the value of the rights acquired is higher than the initial purchase price, the Company may either pay the difference to the Brazilian federal government, in which case is expected the recognition of the difference in Intangible Assets, or reduce the total volume acquired under the contract, in which case there would be no impact on the balance sheet. If revision determines that the value of the rights acquired is lower than the initial purchase price, the Brazilian federal government will pay for the difference in cash and/or bonds, depending on Government Budget conditions and it is expected a reduction of the amount originally recorded in Intangible Assets by the amount received from the Brazilian federal government.

When the effects of the revision become probable and measurable, the Company will make the respective adjustments to the acquisition cost.

The agreement also establishes minimum commitments with respect to local acquisition of goods and services from Brazilian suppliers in the exploration stage and in the development stage of production which will be subject ANP analysis. In the event of non-compliance, ANP will be able to apply administrative and pecuniary sanctions established in the contract.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

13. Intangible assets (Continued)

13.3 Exploration rights returned to National Agency of Petroleum, Natural Gas and Biofuels (ANP)

In 2011, the Company returned the following blocks, amounting US\$ 84, to ANP:

- **Blocks – Exclusive concession of Petrobras:**
Rio do Peixe basin: RIOP- T-41.
Santos basin: S-M-613, S-M-1356 and S-M-1480.
Pelotas Sea basin: P-M-1267 and P-M-1349.
Potiguar basin: POT-T-706
- **Blocks in partnership (devolved by Petrobras or by its operators):**
Santos basin: S-M-1227, S-M-792, S-M-791, S-M-1162, S-M-320, S-M-1163 and S-M-731.
Espírito Santo Terra basin: ES-T-401.

13.4 Fields returned to the National Agency of Petroleum, Natural Gas and Biofuels (ANP)

In 2011, the Company returned to ANP the Mutum field, located in Sergipe/Alagoas basin.

13.5 Concession of services for distribution of piped natural gas

At December 31, 2011, the intangible assets include concession agreements for the distribution of piped natural gas in Brazil amounting US\$ 243, with maturities between 2029 and 2043, which may be extended. The concessions establish distribution to the industrial, residential, commercial, vehicular, air conditioning, transport and other sectors.

The remuneration for providing services consists, basically, of the combination of operating costs and expenses, and return on invested capital. The fees charged for the volume of gas distributed are subject to periodic reviews and adjustments by the state regulatory agency.

Based on appraisals, concession agreements determine indemnification to the Company regarding assets subject to return at the end of the concession.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

14. Exploration activities and valuation of oil and gas reserves

The exploration and evaluation activities cover the search for oil and gas reserves from the obtaining of the legal rights to explore a specific area until the declaration of the technical and commercial viability of the reserves. The amounts involved in these activities are as follows:

	Year ended December 31,		
	2011	2010	2009
Capitalized balances in assets			
Intangible assets	41,671	47,053	1,308
Property, plant and equipment, net	10,461	9,440	6,107
Total assets	52,132	56,493	7,415

	Year ended December 31,		
	2011	2010	2009
Exploration costs recognized in results			
Expenses with geology and geophysics	919	853	1,061
Wells without economic viability (including dry wells and signature bonus)	1,335	1,249	1,237
Other exploration expenses	91	181	75
Total expenses	2,345	2,283	2,373

	Year ended December 31,		
	2011	2010	2009
Cash used in activities			
Operating activities	989	837	975
Investment activities	5,723	9,363	3,877
Total cash used for the year	6,712	10,200	4,852

15. Trade accounts payable

	As of December 31,	
	2011	2010
Current Liabilities		
Third parties		
In Brazil	6,535	6,122
Abroad	4,883	3,908
Related Parties (Note 18.1)	445	397
	11,863	10,427

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

16. Loans and financing

	As of December 31,			
	Current		Non-current	
	2011	2010	2011	2010
Abroad				
Financial institutions	7,272	6,376	20,039	17,626
Bearer bonds - Notes, Global Notes and Bonds	428	627	21,026	11,554
Trust Certificates - Senior/Junior		70	3	191
Other	6	1	101	100
	<u>7,706</u>	<u>7,074</u>	<u>41,169</u>	<u>29,471</u>
In Brazil				
Export Credit Notes	72	66	6,921	6,295
National Bank for Economic and Social Development - BNDES	916	1,229	19,930	19,375
Debentures	988	189	529	1,427
FINAME	42	43	390	232
Bank Credit Certificate	27	32	1,922	2,164
Other	316	318	1,857	1,453
	<u>2,361</u>	<u>1,877</u>	<u>31,549</u>	<u>30,946</u>
	<u>10,067</u>	<u>8,951</u>	<u>72,718</u>	<u>60,417</u>
Interest on debt	879	869		
Current portion of long-term debt	3,690	2,870		
Current debt	<u>5,498</u>	<u>5,212</u>		
Total financing	<u>10,067</u>	<u>8,951</u>		

16.1 Maturities of the principal and interest of debt in non-current liabilities

	As of December 31,
	2011
2013	2,387
2014	4,438
2015	5,353
2016	13,267
2017 and thereafter	47,273
Total	<u>72,718</u>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

16. Loans and financing (Continued)

16.2 Interest rates for debt in non-current liabilities

	As of December 31,	
	2011	2010
Abroad		
Up to 6% p.a.	31,561	22,029
From 6 to 8% p.a.	8,385	6,492
From 8 to 10% p.a.	1,179	820
From 10 to 12% p.a.	34	33
More than 12% p.a.	10	97
	41,169	29,471
In Brazil		
Up to 6% p.a.	2,870	2,345
From 6 to 8% p.a.	17,225	18,004
From 8 to 10% p.a.	1,930	592
From 10 to 12% p.a.	9,421	10,005
More than 12% p.a.	103	
	31,549	30,946
	72,718	60,417

16.3 Balances per currencies in non-current liabilities

	As of December 31,	
	2011	2010
U.S. Dollars	36,258	27,872
Japanese Yen	1,544	1,641
Euro	2,495	128
Real (*)	31,359	30,718
Other	1,062	58
	72,718	60,417

(*) At December 31, 2011, it includes US\$ 13,830 in debt in local currency parameterized to the variation of the US dollar; and also debt abroad in reais parameterized to the variation of the general market price index (IGPM).

The hedges contracted for coverage of Notes issued abroad in foreign currencies and the fair value of the long-term loans are disclosed in notes 31 and 32, respectively.

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Consolidated notes to the financial statements (Continued)

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16. Loans and financing (Continued)

16.4 Weighted average rate for capitalization of interest

The weighted average annual interest rate on outstanding debt, used for capitalization of interest on the balance of work in progress, was 4.6% p.a. in 2011 (4.0% p.a. in 2010).

16.5 Issuance of long-term debt

The loans and the financing are intended, mainly, for the development of oil and gas production projects, the building of ships and pipelines, and the expansion of industrial units.

The main long-term funding carried out in 2011 is presented as follows:

a) Abroad

Company	Date	Amount US\$ Million	Maturity	Description
PifCo	Jan/11	6,000	2016,2021 and 2041	Global notes in the amounts of US\$ 2,500, US\$ 2,500 and US\$ 1,000 with coupons of 3.875% p.a., 5.375% p.a. and 6.75% p.a., respectively.
Charter	Jan/11	750	2018	Loan from Standard Shartered in the amount of US\$ 750 – Libor + 1.5% p.a.
PNBV	Mar/11	650	2015 and 2021	Loan from Bank of Tokyo-Mitsubish in the amount of US\$ 150 - Libor plus 1.25% p.a. and Banco Santander S.A., HSBC Bank PLC, HSBC Bank USA, N.A. and SACE S.P.A.- in the amount of US\$ 500 - Libor plus 1.10% p.a.
PNBV	Jun/11	2,000	2018	Loan from Banco Santander S.A., Grand Cayman Branch in the amount of US\$ 1,500 - Libor plus 1.476% p.a. and Bank of Tokyo-Mitsubishi in the amount of US\$ 500- Libor plus 1.30% p.a.
PNBV	Aug/11	643	2016 and 2023	Loan from JP Morgan Chase Bank N.A., Export-Import Bank of the United States in the amount of US\$ 300 - Libor plus 0.45% p.a.; and Citibank International PLC in the amount of US\$ 343 - Libor plus 0.85% p.a.
PNBV	Dec/11	250	2018	Loan from Export Development Canada Bank, in the amount of US\$250 - LIBOR + 1.40% p.a.
PifCo	Dec/11	2,391	2018 and 2022	Global notes in the amount of € 1.250 million and €600 million with coupon of 4.875% p.a., and 5.875% p.a., respectively.
PifCo	Dec/11	1,061	2026	Global notes in the amount of £ 700 million with 6,25% p.a. coupon.
		<u>13,745</u>		

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Company	Date	Amount US\$ Million	Maturity	Description
Petrochemicals Citepe and Suape	May/11 to Dec/11	563	2022 and 2023	Financing from BNDES for implementation of plant - TJLP plus 1.36% p.a. and 2.96% p.a.
Petrobras	Jul/11	545	2022	Financing from BNDES for the construction of the Mexilhão platform - TJLP plus 2.76% p.a.
Fundo de Invest. Imobiliário FCM	Oct/11	237	2023	Issuance of real state credit notes for the construction of new bases and BR Distribuidora's lubricants plant expansion - Amplified Consum Price Index/ IPCA plus 2.1%
Petrobras	Nov/11	1,333	2018	Financing obtained from Caixa Econômica Federal through the issuance of Export Credit Notes at a rate of 111.29% of the average CDI.
Refap	Mar/11 to Dec/11	260	2018 and 2022	Financing from BNDES in the amount of US\$ 152 - TJLP plus 1.36% p.a. and 2.26% p.a. and subscription of debentures in the amount of US\$ 108 - TJLP plus 1.96% p.a. above the BNDES' basket of currencies.
		2,938		

16.6 Financing with official credit agencies – lines of credit**a) Abroad**

Company	Agency	Amount in US\$ million			Description
		Contracted	Used	Balance	
Petrobras	China Development Bank	10,000	7,000	3,000	LIBOR plus 2.8% p.a.
PNBV	Citibank International PLC	686	343	343	LIBOR plus 0.85% p.a.

b) In Brazil

Company	Agency	Amount in US\$ million			Description
		Contracted	Used	Balance	
Transpetro (*)	BNDES	4,801	303	4,498	Program for Modernization and Expansion of the Fleet (PROMEFL) - TJLP + 2.5% p.a. for Brazilian equipments and 3% p.a. for imported equipments.

Refap	BNDES	591	152	439	TJLP plus 1.36% p.a. and 2.26% p.a.
Petrobras	Caixa Econômica Federal	160		160	Bank Credit Certificate – 110% of average CDI
Petromichals Citepe and Suape	BNDES	622	563	59	Implementation of plant - TJLP plus 1.36% p.a. and 2.96% p.a.

(*) Agreements were entered in force for purchase and sale of 41 ships and 20 convoy vessels with 6 Brazilian shipyards in the amount of US\$ 5,334, where 90% is financed by BNDES, Banco do Brasil and Caixa Econômica.

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Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

16. Loans and financing (Continued)

16.7 Guarantees

Petrobras is not required to provide guarantees to financial institutions abroad. Financing obtained from BNDES is secured by the assets being financed (carbon steel pipes for the Bolivia-Brazil gas pipeline and vessels).

The loans obtained by specific purpose entities (SPE) are guaranteed by the assets of the projects, as well as lien of credit rights and shares of the SPEs.

17. Leases

17.1 Minimum payments and receipts of finance leases

	As of December 31, 2011	
	Minimum receipts	Minimum payments
2012	137	44
2013 - 2016	666	84
2017 and thereafter	2,168	172
Estimated receipts/payments of commitments	2,971	300
Less amount of annual interest	(1,333)	(158)
Present value of the minimum receipts/payments	1,638	142
Current	120	44
Non-current	1,518	98
At December 31, 2011	1,638	142
Current	70	105
Non-current	1,632	115
At December 31, 2010	1,702	220

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(Expressed in millions of US Dollars, except when specifically indicated)

17. Leases (Continued)

17.2 Future minimum payments of operating lease

	<u>As of December 31,</u>
	<u>2011</u>
2012	12,818
2013-2016	29,404
2017 and thereafter	13,291
As of December 31, 2011	55,513
As of December 31, 2010	48,078

In 2011 the Company paid the amount of US\$ 6,744 recognized as an expense in the year.

18. Related parties

Petrobras carries out commercial transactions with its subsidiaries, special purpose entities and associates under normal market conditions. Intercompany loans are made in accordance with market conditions and applicable legislation.

At December 31, 2011 and 2010, losses were not expected on the realization of these accounts receivable.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

18. Related parties (Continued)

18.1 Transactions with jointly controlled entities, associates, government entities and pension funds

Significant transactions resulted in the following balances:

	As of December 31,			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Jointly controlled entities and associates	701	417	769	428
Gas distributors	467	189	490	244
Braskem and its subsidiaries	87	71	97	62
Other jointly controlled entities and associates	147	157	182	122
Government entities and pension funds	22,355	36,141	25,702	33,614
Government bonds	14,120	-	18,664	-
Banco do Brasil S.A. (BB)	4,300	6,302	3,041	5,651
Restricted deposits for legal proceedings and guarantees (CEF and BB)	1,693	-	1,480	-
Receivables from the Electricity sector (Note 18.2)	1,574	-	1,888	-
Petroleum and alcohol account - Receivable from Federal Government (Note 18.3)	444	-	493	-
BNDES	4	21,799	2	21,798
Caixa Econômica Federal (CEF)	1	4,363	1	3,398
National Agency for Petroleum, Natural Gas and Biofuels	-	2,063	-	1,541
Federal government - Proposed dividend and interest on shareholders' equity	-	597	-	671
Petros (Pension fund)	-	188	-	301
Other	219	829	133	254
	23,056	36,558	26,471	34,042

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

18. Related parties (Continued)

18.1 Transactions with jointly controlled entities, associates, government entities and pension funds (Continued)

The balances are classified in the Statement of financial position as follows:

	As of December 31,			
	2011		2010	
	Assets	Liabilities	Assets	Liabilities
Current assets	17,733		21,272	
Cash and cash equivalents	6,439	-	3,255	-
Marketable securities	8,948	-	15,319	-
Accounts receivable, net	2,275	-	2,614	-
Other current assets	71	-	84	-
Non-current	5,323		5,199	
Petroleum and alcohol account - receivable from Federal government (Note 18.3)	444	-	493	-
Marketable securities	3,006	-	3,107	-
Restricted deposits for legal proceedings and guarantees	1,693	-	1,481	-
Other non-current assets	180	-	118	-
Current liabilities		6,224		5,380
Current debt	-	2,519	-	2,201
Proposed dividends	-	985	-	958
Other current liabilities	-	2,720	-	2,221
Non-current liabilities		30,334		28,662
Non-current debt	-	30,273	-	28,588
Other non-current liabilities	-	61	-	74
	23,056	36,558	26,471	34,042

18.2 Receivables from the electricity sector

The Company has receivables from the electricity sector related to the supplying of fuel to thermoelectric power stations, direct and indirect subsidiaries of Eletrobrás, located in the northern region of Brazil. A portion of the costs of supplying fuel to these thermoelectric power stations is supported by funds from the Fuel Consumption Account (CCC), managed by Eletrobrás.

The Company also supplies fuel to Independent Power Producers (PIE), companies created for the purpose of producing power exclusively for Amazônia Distribuidora S. A. (ADESA), a direct subsidiary of Eletrobrás, whose payments for supplying fuel depend directly on the transfer of funds from ADESA to these Independent Power Producers.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

18. Related parties (Continued)

18.2 Receivables from the electricity sector (Continued)

The balance of these receivables at December 31, 2011 was US\$ 1,574 (US\$ 1,888 at December 31, 2010), of which US\$ 1,293 was overdue (US\$ 1,424 at December 31, 2010).

The Company has made claims to the debtors and to Eletrobras and partial collections have been made.

18.3 Petroleum and Alcohol accounts - Receivable from Federal Government

At December 31, 2011, accounts receivable regarding Petroleum and alcohol accounts amounted US\$ 444 (US\$ 493 at December 31, 2010). It may be paid, as established by Provisional Measure 2,181, as follows: (1) National Treasury Bonds issued at the same amount as the final balance of the Petroleum and Alcohol account; (2) offset of the balance of the Petroleum and Alcohol account, with any other amount owed by Petrobras to the Federal Government, including taxes; or (3) by a combination of the above options.

In order to conclude the settlement with the Federal Government, Petrobras has provided all the information required by the National Treasury Office to mitigate divergences between the parties.

After exhausting negotiation process under the administrative level, the Company filed a lawsuit in July 2011.

18.4 Remuneration of employees and officers

The Company' salaries, careers and benefits policies and current legislation establish the criteria for all remunerations attributable to its officers and employees.

The total remuneration for short-term benefits for the Company's officers during 2011 was US\$ 6.7 (US\$ 5.2 in 2010), referring to seven officers and nine board members.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

18. Related parties (Continued)

18.4 Remuneration of employees and officers (Continued)

The remuneration of employees, including those occupying managerial roles, and officers of Petrobras for the month of December 2011 and 2010 were as follows:

	Expressed in US Dollar	
	As of December 31,	
	2011	2010
Remuneration per employee		
Lowest remuneration	1,079.27	1,081.11
Average remuneration	5,678.80	5,714.93
Highest remuneration	35,981.70	36,589.32
Remuneration per officer of Petrobras (highest)	42,739.77	43,385.36

The fees of the executive board and the board of directors in 2011 totaled US\$ 24.0 (US\$ 21.5 in 2010).

Petrobras began the process for election of the representative of its employees on the Board of Directors, as established by Federal law 12,353/2010. Accordingly, the Board will now have ten members and the appointment will be ratified by shareholders at the next Annual General Meeting .

19. Provision for decommissioning costs

Non-current liabilities	2011	2010
Opening Balance	3,904	2,752
Revision of provision	1,365	1,056
Use by payment	(284)	(276)
Updating of interest	125	130
Other	63	113
Accumulated translation adjustment	(461)	129
Closing Balance	4,712	3,904

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(Expressed in millions of US Dollars, except when specifically indicated)

20. Taxes

20.1 Recoverable taxes

	As of December 31,	
	2011	2010
Current assets		
In Brazil:		
ICMS	1,698	1,581
PIS/COFINS	2,743	2,045
CIDE	77	40
Income taxes	1,528	1,065
Other taxes	225	238
	6,271	4,969
Abroad:	577	293
	6,848	5,262

20.2 Taxes payable

	As of December 31,	
	2011	2010
Current liabilities		
ICMS	1,161	1,173
PIS/COFINS	309	672
CIDE	254	450
Special participation/ Royalties	2,767	2,171
Withholding income taxes	443	394
Income taxes	263	515
Other taxes	650	663
	5,847	6,038

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20. Taxes (Continued)

20.3 Deferred taxes - non-current

	As of December 31,	
	2011	2010
Non-current assets		
Deferred income taxes	4,287	3,820
Deferred ICMS	1,172	1,437
PIS/COFINS	3,488	4,830
Other	252	139
	9,199	10,226
Non-current liabilities		
Deferred income taxes	17,715	15,522
Other	21	21
	17,736	15,543

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

20. Taxes (Continued)

20.4 Deferred income tax - non-current

a) Changes in the deferred income taxes

	Fixed Assets		Accounts receivable/ payable, loans and financing	Financial leases	Provision for legal proceedings	Tax losses	Inventories	Interest on shareholders' equity	Other	Total	
	Exploration costs for the extraction of crude oil and gas	Other									
Balance at December 31, 2009	<u>(8,159)</u>	<u>(51)</u>	<u>(258)</u>	<u>(810)</u>	<u>116</u>	<u>304</u>	<u>571</u>	<u>206</u>	<u>268</u>	<u>(7,813)</u>	
Recognized in the results for the year	(1,861)	(1,080)	(839)	150	88	131	(87)	225	(13)	(3,286)	
Recognized in shareholders' equity (Comprehensive Income)	-	-	-	-	-	-	-	-	-	-	
Cumulative translation adjustments	-	(503)	(56)	(27)	44	(12)	21	22	(105)	(616)	
Other	-	23	41	14	50	3	-	-	(118)	13	
Balance at December 31, 2010	<u>(10,020)</u>	<u>(1,611)</u>	<u>(1,112)</u>	<u>(673)</u>	<u>298</u>	<u>426</u>	<u>505</u>	<u>453</u>	<u>32</u>	<u>(11,702)</u>	
Recognized in the results for the year	(1,971)	(1,187)	433	(114)	79	(43)	165	68	(691)	(3,261)	
Recognized in shareholders' equity (Comprehensive Income)	-	-	-	24	-	-	-	-	(28)	(4)	
Cumulative translation adjustments	-	1,128	122	87	(25)	(21)	(36)	(47)	(5)	1,203	
Other	-	261	131	(168)	(17)	(20)	-	-	148	335	
Balance at December 31, 2011	<u>(11,991)</u>	<u>(1,409)</u>	<u>(426)</u>	<u>(844)</u>	<u>335</u>	<u>342</u>	<u>634</u>	<u>474</u>	<u>(544)</u>	<u>(13,428)</u>	
										Deferred tax assets	3,820
										Deferred tax liabilities	<u>(15,522)</u>
										Balance at December 31, 2010	<u>(11,702)</u>
										Deferred tax assets	4,287
										Deferred tax liabilities	<u>(17,715)</u>
										Balance at December 31, 2011	<u>(13,428)</u>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

20. Taxes (Continued)**20.4 Deferred income tax - non-current** (Continued)*b) Realization of deferred income taxes*

Management considers that the deferred tax assets will be realized in proportion to the realization of the provisions and the final resolution of future events, both of them are based on projections that have been made.

Management's projection for realization of the deferred tax assets and liabilities is presented below:

	Deferred income taxes	
	Assets	Liabilities
2012	1,715	2,204
2013	315	1,330
2014	297	1,429
2015	324	1,237
2016	566	1,336
2017	168	1,289
2018	336	1,563
2019 and thereafter	566	7,327
Recognized deferred tax credits	4,287	17,715
Unrecognized deferred tax credits	833	
Total	5,120	17,715

At December 31, 2011, the Company had unrecognized tax credits in the amount of US\$ 833 (US\$ 1,083 at December 31, 2010) resulting from accumulated tax losses, originating, mainly, from oil and gas exploration and production activities in the United States in the amount of US\$ 639, whose statute of limitations is 20 years.

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Consolidated notes to the financial statements (Continued)

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20. Taxes (Continued)

20.5 Reconciliation of income taxes

The reconciliation of the taxes calculated in accordance with statutory rates and the recorded amounts in 2011, 2010 and 2009 are presented as follows:

	Year ended December 31,		
	2011	2010	2009
Income before income taxes	26,724	27,274	22,280
Income taxes at statutory rates (34%)	(9,089)	(9,272)	(7,575)
Adjustments for calculation of the effective rate:			
•Tax benefit from interest on shareholders' equity	2,064	1,985	1,300
•Foreign income of companies abroad subject to different tax rate	422	339	659
•Tax incentives	220	89	85
•Tax losses carryforwards	(339)	(47)	(97)
•Permanent exclusions/ (additions), net (*)	(276)	(119)	(98)
•Tax credits of companies abroad in the exploration stage	-	(18)	(80)
•Other	266	218	385
Income tax expenses	(6,732)	(6,825)	(5,421)
Deferred income taxes	(3,261)	(3,286)	(1,051)
Current income taxes	(3,471)	(3,539)	(4,370)
	(6,732)	(6,825)	(5,421)
Effective rate for income tax and social contribution	25.2%	25.0%	24.0%

* It includes equity accounting.

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Consolidated notes to the financial statements (Continued)

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21. Employee's post-retirement benefits obligations – Pension and Health care

The carrying amount related to benefits granted to employees is presented as follows:

	As of December 31,	
	2011	2010
Liabilities		
Pension plans	2,697	2,878
Healthcare plan	6,942	7,073
	9,639	9,951
Current	761	782
Non-current	8,878	9,169

21.1 Pension plans in Brazil - Defined benefit and variable contribution

Fundação Petrobras de Seguridade Social (Petros) was established by Petrobras as a legal entity under private law, a nonprofit organization with administrative and financial autonomy.

a) Petros Plan - Fundação Petrobras de Seguridade Social

The Petros plan is a contributory defined-benefit pension plan introduced by Petrobras in July of 1970, to supplement the social security pension benefits of employees of Petrobras and its Brazilian subsidiaries and associates. The Petros Plan is closed to the Company's employees hired after September 2002.

The evaluation of the Petros funding plan is made by independent actuaries on a capitalization basis for the majority of the benefits. The sponsors make regular contributions in amounts equal to the contributions of the members (employees, retired employees and pensioners), i.e. on a parity basis.

On the verification of an eventual deficit in the defined benefit plan, this must be resolved by members, beneficiaries and sponsors, pursuant to Constitutional Amendment 20/1998 and Complementary Law 109/2001, observing the proportion with respect to the normal contributions made in the year in which that result was verified.

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Consolidated notes to the financial statements (Continued)

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21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.1 Pension plans in Brazil - Defined benefit and variable contribution (Continued)

a) Petros Plan - Fundação Petrobras de Seguridade Social (Continued)

At December 31, 2011, the balances of the Terms of Financial Commitment, signed by the Company and Petros in 2008, totaled US\$ 2,706, of which US\$ 26 in interest due in 2012. The Financial Commitment Agreement has a maturity of 20 years with payment semi annually interest of 6% p.a. over the carrying amount. The long term National Treasury Notes held in the portfolio, as collateral for the Financial Commitment Agreement, totaled US\$ 2,847.

The contributions expected from the sponsors for 2012 are US\$ 332.

b) Petros Plan 2 - Fundação Petrobras de Seguridade Social

As from July 01, 2007, the Company implemented the new supplementary pension plan, a Variable Contribution (CV) assuming the contributions corresponding to the period in which the participants had no plan. This past service shall consider the period as from August 2002, or the date of later admission, until August 29, 2007. The plan will continue to admit new subscribers after this date but will no longer be payment relating to past service.

Disbursements for past service are made monthly, for the same number of months in which the participant had no plan.

The portion of this plan with defined benefits characteristics refers to the risk coverage for disability and death, a guarantee of a minimum benefit and a lifetime income, and the related actuarial commitments are recorded according to the projected credit unit method. The portion of the plan with defined contribution characteristics, earmarked for forming a reserve for programmed retirement, was recognized in the results for the year as the contributions are made. In 2011, the contribution to the defined contribution portion of this plan was US\$ 253.

The expected contributions from the sponsors for 2012 are US\$ 272, where US\$ 57 refers to the defined benefit portion and US\$ 215 refers to the defined contribution portion.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

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21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.2 Pension plans abroad - Defined benefit

The Company also sponsors pension plans abroad, with defined benefits characteristics, through subsidiaries in Argentina, Japan and other countries. Most plans are funded, where assets are held in trusts, foundations or similar entities that are governed by local regulations. In 2011, the Company's contributions to these plans totaled US\$ 4.

21.3 Pension Plans' assets

Plan assets investments reflect a long term strategy that considers risk assessment by type of assets and diversifications, as a mechanism to mitigate portfolio risk. The asset portfolio must comply with National Monetary Council rules. The fixed income funds concentrate the majority of the investments, composed of public and private securities. Portfolio target for the period between 2012 and 2016 is 40% to 75% in fixed income, 20% to 45% in variable income, 1.5% to 8% in real estate properties, 0% to 15% in loans to participants, 2.5% to 12% in structured projects and 0% to 3% in investments abroad.

The assets of the pension plans, separated by level of measurement, are as follows:

Asset Category	As of December 31,						
	2011					2010	
	Prices quoted on an active market (Level 1)	Valuation supported by observable prices (Level 2)	Valuation without use of observable prices (Level 3)	Total fair value (Levels 1, 2 and 3)	%	Total fair value (Levels 1, 2 and 3)	%
Fixed income	8,614	3,860	-	12,474	47%	14,810	54%
Corporate bonds	-	3,772	-	3,772		5,254	
Government bonds	8,614	-	-	8,614		9,483	
Other	-	88	-	88		73	
Variable income	6,943	1,648	3,511	12,102	46%	10,967	40%
Shares on demand	6,943	-	-	6,943		6,275	
Private Equity funds	-	1,571	3,510	5,081		4,669	
Other investments	-	77	1	78		23	
Real estate	-	-	959	959	4%	877	4%
				25,535	97%	26,655	98%
Loans granted				768	3%	679	2%
				26,303	100%	27,334	100%

At December 31, 2011, the investments include common and preferred shares of Petrobras in the amount of US\$ 451 and US\$ 371, respectively, and real estate properties rented by the Company in the amount of US\$ 185.

The loan assets granted to participants are stated at amortized cost, which closely approximates to the fair value.

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21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.3 Pension Plans' assets (Continued)

The changes in the fair value of assets valued using the discounted cash flow, classified as Level 3, are as follows:

	Changes in Level 3			Total
	Private Equity funds	Real estate	Other investments	
At December 31, 2010	3,374	877	1	4,252
Profitability of plan's assets	513	8		521
Purchases and sales, net	62	193		255
Cumulative translation adjustments	(439)	(119)		(558)
At December 31, 2011	3,510	959	1	4,470

The investments expected profitability, based on market expectations, is 6% p.a. for fixed income and assets, 8% p.a. for variable income assets and for other investments, resulting in an average interest rate of 6.49% p.a.

21.4 Health Care - *Assistência Multidisciplinar de Saúde* (“AMS”)

Petrobras and its Brazilian subsidiaries maintain a health care benefit plan (AMS), which offers defined benefits and covers all employees (active and inactive) together with their dependents. The plan is managed by the Company, with the employees contributing fixed amounts to cover principal risks and a portion of the costs relating to other types of coverage in accordance with participation tables defined by certain parameters including salary levels, besides the medicine benefit, which provides special terms on the acquisition of certain medicines from participating drugstores, located throughout Brazil.

The health care plan is not collateralized by assets. Instead, the Company makes benefit payments based on costs incurred by plan participants.

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21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.5 Net actuarial liabilities and expenses, calculated by independent actuaries, and fair value of the plans' assets

Information regarding defined benefit plans, in Brazil and abroad, was consolidated for presentation purpose taking into consideration that similar assumptions were assumed and the total assets and liabilities of pension plans abroad is not material.

All the pension plans have accumulated benefit liabilities in excess of the plans' assets.

a) Changes in the actuarial liabilities, in the fair value of the assets and in the amounts recognized in the statement of financial position

	2011				2010			
	Pension plan		Healthcare benefits	Total	Pension plan		Healthcare benefits	Total
	Defined benefit	Variable contribution			Defined benefit	Variable contribution		
Changes in the present value of the actuarial liabilities								
Actuarial liability at the beginning of the year	33,154	440	8,269	41,863	27,277	302	6,869	34,448
Cost of interest:								
• With financial commitment agreement	362			362	289			289
• Actuarial	3,338	50	926	4,314	2,691	34	754	3,479
Current service cost	199	200	146	545	230	59	112	401
Benefits paid	(1,228)	(2)	(365)	(1,595)	(1,013)	(2)	(297)	(1,312)
Actuarial (gain) / loss on the actuarial liability	1,405	189	307	1,901	2,207	27	462	2,696
Other	5	1		6	(3)			(3)
Cumulative translation adjustments	(4,143)	(97)	(1,033)	(5,273)	1,476	20	369	1,865
Actuarial liability at the end of the year	33,092	781	8,250	42,123	33,154	440	8,269	41,863
Changes in the fair value of the plan's assets								
Plan's assets at the beginning of the year	27,197	137		27,334	22,675	115		22,790
Expected income from the plan's assets	3,303	21		3,324	2,539	16		2,555
Contributions received by the fund	489	38	365	892	509		297	806
Receipts entailed to the financial commitment agreement	173			173	147			147
Benefits paid	(1,228)	(2)	(365)	(1,595)	(1,013)	(2)	(297)	(1,312)

Actuarial gain / (loss) on the plan's assets	(530)		(530)	1,132	2	-	1,134
Other	3		3				-
Cumulative translation adjustments	<u>(3,276)</u>	<u>(22)</u>	<u>(3,298)</u>	<u>1,208</u>	<u>6</u>		<u>1,214</u>
Plan's assets at the end of the year	<u>26,131</u>	<u>172</u>	<u>26,303</u>	<u>27,197</u>	<u>137</u>		<u>27,334</u>

Amounts recognized in the statement of financial position

Present value of the liabilities	33,092	781	33,873	33,154	440		33,594
(-) Fair value of the plan's assets	<u>(26,131)</u>	<u>(172)</u>	<u>(26,303)</u>	<u>(27,197)</u>	<u>(137)</u>		<u>(27,334)</u>
Present value of the liabilities in excess of the fair value of the plan's assets	6,961	609	7,570	5,958	302		6,260
Present value of the liabilities			8,250	8,250		8,269	8,269
Unrecognized actuarial gains/(losses)	(5,094)	(256)	(1,449)	(6,799)	(3,012)	(66)	(4,191)
Unrecognized past service cost	(50)	(56)	(17)	(123)	(66)	(59)	(143)
Cumulative translation adjustments	<u>551</u>	<u>33</u>	<u>157</u>	<u>741</u>	<u>(172)</u>	<u>(6)</u>	<u>(244)</u>
Net actuarial liabilities at December 31	<u>2,368</u>	<u>330</u>	<u>6,941</u>	<u>9,639</u>	<u>2,708</u>	<u>171</u>	<u>7,072</u>

Changes in net actuarial liabilities

Balance at January 1	2,707	171	7,074	9,952	2,559	82	6,188	8,829
(+) Costs incurred in the year	409	216	1,104	1,729	476	81	871	1,428
(-) Payment of contributions	(285)	(21)	(365)	(670)	(299)		(298)	(597)
(-) Payment of the financial commitment agreement	(171)			(171)	(146)			(146)
Other	12	1		13	(2)		1	(1)
Cumulative translation adjustments	<u>(304)</u>	<u>(38)</u>	<u>(873)</u>	<u>(1,215)</u>	<u>120</u>	<u>8</u>	<u>310</u>	<u>438</u>
Balance at December 31	<u>2,368</u>	<u>330</u>	<u>6,941</u>	<u>9,639</u>	<u>2,708</u>	<u>171</u>	<u>7,072</u>	<u>9,951</u>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.5 Net actuarial liabilities and expenses, calculated by independent actuaries, and fair value of the plans' assets (Continued)

b) Components of the net expenses

	As of December, 31							
	2011				2010			
	Pension plan		Healthcare benefits	Total	Pension plan		Healthcare benefits	Total
Defined benefit	Variable contribution	Defined benefit			Variable contribution			
Current service cost	199	200	146	545	230	59	112	401
Cost of interest:								
• With financial commitment agreement	362			362	289			289
• Actuarial	3,338	50	926	4,314	2,691	33	755	3,479
Expected return of the plan's assets	(3,303)	(21)		(3,324)	(2,540)	(15)		(2,555)
Amortization of actuarial (gains) / losses	4	2	28	34	2	1		3
Contributions by participants	(209)	(17)		(226)	(210)			(210)
Past service cost	14	5	2	21	13	4	2	19
Other		(1)		(1)			1	1
Net costs for the year	405	218	1,102	1,725	475	82	870	1,427
Related to active employees:								
Cost of operating activities	128	91	212	431	105	42	168	315
Directly to income	64	122	180	366	79	39	113	231
Related to retired employees	213	5	710	928	291	1	589	881
Net costs for the year	405	218	1,102	1,725	475	82	870	1,427

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)**21.5 Net actuarial liabilities and expenses, calculated by independent actuaries, and fair value of the plans' assets (Continued)*****c) Variance between estimated amounts and amounts incurred***

Variance between the estimated amounts and those actually incurred in the last three years were as follows:

	As of December 31,		
	2011	2010	2009
Pension plan gains/(losses)			
Actuarial liability	(67)	71	(219)
Pension plan assets	(472)	1,198	1,966
Pension plan gains/(losses)			
Actuarial liability	704	248	381

d) Variance in the costs with health care

Variance of 1% in the assumptions for medical costs would have the following impacts:

	1% increase	1% decrease
Actuarial liability	1,229	(1,005)
Service cost and interest	159	(128)

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Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.5 Net actuarial liabilities and expenses, calculated by independent actuaries, and fair value of the plans' assets (Continued)

e) Actuarial assumptions adopted in the calculations

	Year ended December 31,	
	2011	2010
Discount rate	Inflation 5.6% to 4.34% p.a.(1) + interest 5.58% p.a (2)	Inflation 5.3% to 4.3% p.a.(1) + interest 5.91% p.a.(2)
Growth rate for salaries	Inflation 5.6% to 4.34% p.a.(1) + 2.080% to 3.188% p.a.	Inflation 5.3% to 4.3% p.a.(1) + 2.220% p.a.
Expected return rate from the pension plan assets	Inflation 5.6% p.a. + interest: 6.49% p.a.	Inflation 5.3% p.a.(1) + interest: 6.78% p.a.
Turnover rate of the health plans	0.652% p.a.(3)	0.660% p.a.(3)
Turnover rate of the pension plans	Null	Null
Rate for hospital medical costs	8.96% to 4.34% p.a. (4)	7.89% to 4.3% p.a. (4)
Mortality table	AT 2000, sex specific	AT 2000, sex specific
Disability table	TASA 1927 / Zimmermann adjusted (5)	TASA 1927 / Zimmermann adjusted (5)
Mortality table for disabled persons	AT 49, sex specific	AT 49, sex specific

⁽¹⁾Inflation decreasing lineally in the next 5 years when it becomes constant.

⁽²⁾The Company uses a methodology for computing an equivalent real rate from the future curve of return of the longest term government bonds, considering in the calculation of this rate the maturity profile of the pension and health care obligations.

⁽³⁾Average turnover which varies according to age and time of service.

⁽⁴⁾Decreasing rate for doctors' and hospital costs, attaining in the next 30 years the projected long-term expectations for inflation.

⁽⁵⁾Disability table: Zimmermann adjusted to the Petros 2 plan.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

21. Employee's post-retirement benefits obligations – Pension and Health care (Continued)

21.6 Other defined contribution plans

Petrobras, through its subsidiaries in Brazil and abroad, also sponsors defined contribution employee retirement plans. The contributions paid in 2011, recognized in the income statement, amounted US\$ 13.

22. Profit sharing

Employee profit sharing is based on statutory requirements and guidelines established by the Department of Coordination and Governance of State Owned Enterprises (DEST), of the Ministry of Planning, Budget and Management, and by the Ministry of Mines and Energy, and is related to consolidated net income before profit sharing by employees and management and the result attributable to non-controlling interests.

Management participation in the profits or results will be subject to approval at the Annual General Meeting for 2012, in accordance with articles 41 and 56 of the Company's bylaws and specific federal regulations.

23. Shareholders' equity

23.1 Paid-in capital

At December 31, 2011, subscribed and fully paid-in capital in the amount of US\$ 107,355 was represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all with no par value.

Capital increase with reserves in 2011

The Special General Meeting, held jointly with the Annual General Meeting on April 28, 2011, approved the Company's capital increase from US\$ 107,341 to US\$ 107,355, through capitalization of part of the profit reserve from tax incentives recorded in 2010, in the amount of US\$ 14, in compliance with article 35, paragraph 1, of Ordinance 2,091/07 of the Government Minister for National Integration. This capitalization was made without issuing new shares, pursuant to article 169, paragraph 1, of Law 6,404/76.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

23. Shareholders' equity (Continued)

23.1 Paid-in capital (Continued)

Capital increase with reserves in 2012

The Management of Petrobras is proposing to the Extraordinary General Shareholders' Meeting, to be held jointly with the General Shareholders' Meeting for 2012, a capital increase for the Company from US\$ 107,356 to US\$ 107,363, through capitalization of a portion of the tax incentive profit reserve established in 2011 in the amount of US\$ 6.

23.2 Additional paid-in capital

a) Shares issuance costs

Shares issuance cost regarding global offering of shares made in 2010 amounted US\$ 279, net of taxes.

b) Change in interest in subsidiaries

Includes amounts regarding changes in ownership interest in subsidiaries, which do not result in loss of control.

23.3 Profit reserves

a) Legal reserve

The legal reserve is provided through the appropriation of 5% of the net income for the year, pursuant to article 193 of the Brazilian Corporation Law.

b) Statutory reserve

The statutory reserve is provided through the allocation of the net income for each year in an amount equivalent to at least 0.5% of the paid-in capital at year-end. This reserve is used to fund research and technological development programs. The balance of this reserve may not exceed 5% of the paid-in capital, pursuant to article 55 of the Company's bylaws.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

23. Shareholders' equity (Continued)

23.3 Profit reserves (Continued)

c) Tax incentive reserve

Tax incentive reserve is constituted through Government grants, recognized in income, as a result of donations or subventions in accordance with article 195-A of Brazilian Corporate Law. This reserve may only be used for offsetting losses or increasing paid-in capital.

In 2011, an amount of US\$ 43 was earmarked from the results regarding investments subventions at Superintendencies for Development of the Northeast (SUDENE) and Amazonia (SUDAM), in which US\$ 6 refers to the realization of part of the deposits for reinvestments with funds from income tax.

d) Profit retention reserve

Profit retention reserve is constituted to provide funds to budgeted capital investments, mainly in oil and gas exploration and development activities, in accordance with to article 196 of the Brazilian Corporation Law.

The Board of Directors is proposing retention of profits, as profit retention reserve in the amount of US\$ 12,235, where US\$ 12,229 originates from the profit for 2011 and US\$ 6 from the ending balance of retained earnings, which is constituted to partially attend the annual investment program established by the 2012 budget, to be decided in the Annual General Shareholders' Meeting for 2012.

23.4 Accumulated other comprehensive income

a) Cumulative translation adjustment

It comprises the net translation gain or loss resulting from expressing in the reporting currency of the Company those amounts that are denominated in a different currency.

b) Other comprehensive income

It comprises changes in fair value regarding available-for-sale securities and cash flow hedges.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

23. Shareholders' equity (Continued)

23.5 Dividends

Holders of preferred and common shares are entitled to a minimum dividend and/or interest on shareholders' equity of 25% of annual adjusted net income, in accordance with article 202 of Brazilian Corporate Law.

Preferred shares have priority in the event of reimbursement of capital and receipt of dividends which is based on, at least, the higher amount among the following: 3% of the book value of shareholders' equity, regarding preferred shares interest, or 5% of the paid-in capital regarding preferred shares (higher amount criteria).

The proposal for dividends related to 2011, which is being sent by the Management of Petrobras for approval by the shareholders in the Annual General Meeting of 2012, in the amount US\$ 6,905, meets the statutory rights guaranteed to preferred shares and is being offered equally for both common and preferred shares. This proposed dividend reached 38.25% of the annual adjusted net income, as a result of the preferred shares rights (higher amount criteria) in which prevailed 3% of the book value of shareholders equity regarding preferred shares interest. This amount was higher than the minimum dividend equivalent to 25% of annual adjusted net income.

In 2010, without distinction between common and preferred shares, proposal dividends represented 35.50% of the annual adjusted net income, as a result of the preferred shares rights (higher amount criteria) in which prevailed 5% of the paid-in capital regarding preferred shares.

The proposed dividends at December 31, 2011, in the amount of US\$ 6,905, include interest on shareholders' equity in the total amount of US\$ 6,071, approved by the Board of Directors, as follows:

<u>Payment</u>	<u>Date of approval by Board of Directors</u>	<u>Date of Shareholder position</u>	<u>Date of Payment</u>	<u>Amount of Payment</u>	<u>Gross amount per share (ON and PN) (US\$)</u>
1st payment of interest on shareholders' equity	04.29.2011	05.11.2011	05.31.2011	1,602	0.1
2nd payment of interest on shareholders' equity	07.22.2011	08.02.2011	08.31.2011	1,671	0.1
3rd payment of interest on shareholders' equity	10.28.2011	11.11.2011	11.30.2011	1,407	0.1
4th payment of interest on shareholders' equity	12.22.2011	01.02.2012		1,391	0.1
Dividends	02.09.2012			834	0.1
				6,905	0.50

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

23. Shareholders' equity (Continued)

23.5 Dividends (Continued)

The portions of interest on shareholders' equity distributed in advance in 2011 will be deducted from the dividends proposed in 2011, monetarily updated by the SELIC rate from the date of its payment until December 31, 2011. The final portion of interest on shareholders' equity will be paid up to March 30, 2012 and the dividends will be paid on a date to be established by the Annual General Shareholders' Meeting. These amounts will be monetarily updated corrected as from December 31, 2011 until the date of payment, in accordance with the SELIC rate.

The interest on shareholders' equity is subject to 15 % of withholding income tax, except for exempt shareholders, as established by Law 9,249/95. This interest was allocated to the dividends for the year, as established in the Company's bylaws.

In accordance with tax law, interest on shareholders' equity is recognized in earnings, providing income tax benefits amounting to US\$ 2,064 (US\$ 1,985 in 2010) and subsequently reversed to retained earnings in accordance with CVM n° 207/96.

23.6 Earnings per Share

	As of December 31,		
	2011	2010	2009
Net income attributable to shareholders of Petrobras	20,121	20,055	15,308
Weighted average of the number of common and preferred shares outstanding (No. of shares)	13,044,496,930	9,872,826,065	8,774,076,740
Basic and diluted earnings per common and preferred share (US\$ per share)	1.54	2.03	1.74

24. Sales revenues

	Year ended December 31,		
	2011	2010	2009
Gross sales revenue	183,022	151,297	115,075
Sales charges	(37,107)	(30,845)	(23,929)
Sales revenues	145,915	120,452	91,146

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(Expressed in millions of US Dollars, except when specifically indicated)

25. Expenses by nature

	Year ended December 31,		
	2011	2010	2009
Raw material / products purchased	(57,274)	(43,952)	(29,677)
Contracted services, freight, rents and general charges	(14,771)	(13,133)	(7,805)
Government interest	(16,228)	(11,547)	(9,787)
Personnel expenses and benefits	(11,294)	(9,509)	(6,980)
Depreciation, depletion and amortization	(10,535)	(8,308)	(7,129)
	(110,102)	(86,449)	(61,378)
Cost of sales	(99,595)	(77,145)	(54,023)
Selling expenses	(5,346)	(4,863)	(3,693)
Administrative and general expenses	(5,161)	(4,441)	(3,662)
	(110,102)	(86,449)	(61,378)

26. Other operating income and expenses, net

	Year ended December 31,		
	2011	2010	2009
Healthcare and pension plans	(928)	(881)	(697)
Unscheduled stoppages and pre-operating expenses	(901)	(350)	(381)
Institutional relations and cultural projects	(884)	(694)	(545)
Corporate expenditures on safety, environment and health	(474)	(207)	(181)
Adjustment to market value of inventories	(643)	(339)	(310)
Collective labor agreements	(430)	(364)	(248)
Losses with contingencies with judicial proceedings	(412)	(1,031)	(1,273)
Gain with contingencies with judicial proceedings	542	-	-
Operating expenses with thermoelectric power stations	(127)	(170)	(311)
Impairment	(369)	(38)	(312)
Government Grants	378	212	331
Gains on disposal of non-current assets	7	37	-
E&P joint arrangement charge/refund	10	26	-
Incentive for purchase of Petrobras shares	-	(51)	-
Other	247	(115)	155
	(3,984)	(3,965)	(3,772)

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

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(Expressed in millions of US Dollars, except when specifically indicated)

27. Financial income (expenses), net

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Foreign exchange on cash and cash equivalent	582	(395)	(354)
Foreign exchange on debt (*)	(3,165)	1,071	2,046
Foreign exchange on net debt	(2,583)	676	1,692
Foreign exchange on debt	(194)	(231)	294
Borrowing costs	(4,866)	(4,070)	(2,448)
Investments	1,673	961	716
Government bonds for trading	1,275	312	-
Net financial expenses	(1,918)	(2,797)	(1,732)
Financial result on net debt	(4,695)	(2,352)	254
Borrowing costs capitalized	4,403	3,156	1,657
Hedge on sales and financial operations	(214)	-	(181)
Income from available-for-sale securities	355	299	213
Income/ (expenses) from held-to-maturity securities	(69)	70	177
Other financial expenses and income, net	(39)	(2)	(190)
Other exchange and monetary variations, net	335	380	(1,833)
Financial income (expenses), net	76	1,551	97
Financial income (expenses), net (**)			
Income	3,943	2,535	1,757
Expenses	(1,424)	(1,784)	(1,707)
Exchange and monetary variations, net	(2,443)	800	47
	76	1,551	97

(*) It includes monetary variation on financing in local currency parameterized to the variation of the US dollar.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies

The Company is a defendant in numerous legal proceedings involving civil, tax, labor, corporate and environmental issues arising in the normal course of its business. Based upon the advice of its internal legal counsel and on management's best estimates, the Company has classified the loss contingencies of such proceedings as either probable, reasonably possible or remote.

28.1 Legal proceedings classified as probable losses

The Company has recorded accruals in amounts sufficient to provide for losses that are considered probable and reasonably estimable. The main proceedings that comprise this classification relate to the withholding of income taxes for securities issued outside of Brazil; losses and damages as a result of the cancellation of an assignment of federal VAT (IPI) credits to a third party; and indemnifications for fishermen arising out of an oil spill that occurred in Rio de Janeiro in January 2000. In addition, based on studies undertaken in 2011, the Company reassessed claims related to an oil spill in the Terminal São Francisco do Sul - President Vargas Refinery in July 2000, reclassifying the loss contingency from possible to probable and estimating the Company's exposure as of December 31, 2011 at US\$33.

The amounts recorded as provisions (net of judicial deposits) for the legal proceedings that the Company has classified as probable losses are as follows:

	As of December 31	
	2011	2010
Labor claims	155	116
Taxclaims	352	364
Civil claims	159	214
Other claims	60	65
	726	759

	As of December 31,	
	2011	2010
Opening Balance	759	481
Provisions	319	798
Payments	(113)	(521)
Judicial deposits	(161)	(56)
Accrual of interest	43	2
Other	(121)	55
Closing Balance	726	759

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Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.2 Legal proceedings classified as possible losses

The following tables provide a summary of the legal proceedings that the Company has classified as possible losses.

	Estimates for 2011
Tax claims	18,199
Civil claims - General	4,722
Civil claims - Environmental	527
Other	832
	24,280

Tax Claims

**Estimate as of
December 31, 2011**

Plaintiff: Federal revenue service

1) Income deductions subject to income taxes and fines arising out of pension plan (Petros) modifications.

- The Company has filed an administrative appeal with the competent authority in connection with this proceeding, and the appeal is currently awaiting a decision.

1,673

2) Income from foreign subsidiaries and affiliates in the years 2005, 2006 and 2007 not included in income subject to income taxes.

- The Company has filed administrative appeals in connection with these proceedings, and these appeals are currently under review by the competent authority.

1,060

3) Deductibility of expenses related to pension plan (Petros) modifications in 2007.

- This matter is currently being deliberated in the context of two separate administrative proceedings that remain subject to appeal.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.2 Legal proceedings classified as possible losses (Continued)

**Estimate as of
December 31, 2011**

Tax Claims

Plaintiff: Federal revenue service

4) Withholding income taxes related to charter payments from 1999 to 2002.

- With the conclusion of the administrative proceeding, the Company is currently analyzing the pursuit of judicial measures.

2,497

Plaintiff: State revenue service of Rio de Janeiro

5) Value added taxes (ICMS) related to liquefied natural gas transportation made without an invoice.

- This matter is currently being deliberated in the context of several different administrative and judicial proceedings.

1,328

6) Value added taxes (ICMS) related to a tax rate used for jet fuel tax payments.

- This matter is currently being deliberated in administrative proceedings, in connection with which the Company has already presented its defenses.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.2 Legal proceedings classified as possible losses (Continued)

**Estimate as of
December 31, 2011**

Tax Claims

Plaintiff: Federal revenue service

7) Excise taxes (Contribution of Intervention in the Economic Domain Charge, or CIDE) related to naphtha imports resold to Braskem.

- This matter is currently being deliberated in administrative proceedings.

1,489

8) Excise taxes (Contribution of Intervention in the Economic Domain Charge, or CIDE) for transactions made from March 2002 to October 2003 with distributors and service stations that were covered by provisional decisions.

- This matter is currently under review by the Tax Claims Administrative Council (Conselho Administrativo de Recursos Fiscais, or CARF) and is awaiting a decision.

658

Plaintiff: State revenue service of São Paulo

9) Value added taxes (ICMS) related to the importation of drilling rigs.

- This matter is being deliberated in the context of two different proceedings, one of which is administrative and the other of which was converted into a judicial proceeding that was decided in the Company's favor.

2,047

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.2 Legal proceedings classified as possible losses (Continued)

**Estimate as of
December 31, 2011**

Tax Claims

Plaintiffs: Certain municipalities in the State of Espírito Santo

10) The municipalities of Anchieta, Aracruz, Guarapari, Itapemirim, Marataízes, Linhares, Vila Velha and Vitória have filed notices of infraction against the Company for the supposed failure to withhold service tax of any nature (ISSQN) on offshore services. Pursuant to Petrobras Complementary Law 116/03, the Company withheld the ISSQN but paid the tax to the municipalities where the respective service providers are established.

- This matter is currently being deliberated in the context of several different administrative and judicial proceedings.

866

Plaintiff: Federal revenue service

11) Taxes payable on financial transactions (IOF) related to credits on intercompany transactions.

- This matter is currently being deliberated in administrative proceedings, in connection with which the Company has already presented its defenses.

630

Plaintiff: Federal revenue service

12) Withholding income taxes related to oil imports payments.

- This matter is currently being deliberated in administrative proceedings. The Company has filed its appeals with the competent authority and is currently awaiting its decision.

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Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.2 Legal proceedings classified as possible losses (Continued)

**Estimate as of
December 31, 2011**

Tax Claims

Plaintiff: State revenue service of Rio de Janeiro

13) Value added taxes (ICMS) related to credits from drilling bits and chemical products used in preparing drilling fluid.

- This matter is currently being deliberated in the context of several different administrative and judicial proceedings.

436

14) Other miscellaneous tax claims

3,472

Total tax claims

18,199

**Estimate as of
December 31,
2011**

Civil Claims - General

Plaintiff: Porto Seguro Imóveis Ltda.

15) The plaintiff, a former non-controlling shareholder of Petroquisa, filed a suit alleging losses resulting from the sale of an interest in various petrochemical companies by Petroquisa, as part of the National Privatization Program. The plaintiff claims that Petrobras, Petroquisa's controlling company, should be obliged to indemnify the alleged losses resulting from the acts that approved the minimum sale price of privatized companies.

- This matter is currently before the Superior Court and is awaiting trial docket designation in light of the special appeal brought by the Company, which appeal may be decided in the first half of 2012. That decision, however, would not be definitive as it would be subject to further appeal.

2,993

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.2 Legal proceedings classified as possible losses (Continued)

Civil Claims - General

**Estimate as of
December 31, 2011**

Plaintiff: National Agency for Petroleum, Natural Gas and Biofuel - ANP

16) The plaintiff claims an additional government participation charge in respect of the following fields in the Campos Basin: Albacora, Carapeba, Cherne, Espadarte, Marimba, Marlim, Marlim Sul, Namorado, Pampo and Roncador. In addition, the plaintiff is claiming fines for alleged non-compliance with minimum exploration programs.

- With the conclusion of the administrative phase of this proceeding, this matter was brought before the judicial courts. The Company obtained an injunction suspending the collection of fines until the end of the trial process, which is currently in the production of evidence phase.

646

17) Other miscellaneous civil claims

1,083

Total civil claims

4,722

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

28. Legal proceedings and contingencies (Continued)

28.3 Joint Ventures – Frade field

In November 2011, there was an oil spill in the Frade field, operated by Chevron Brasil Upstream Frade Ltda and located in the Campos basin. A federal prosecutor conducted an investigation in connection with the oil spill and has initiated legal proceedings against Chevron Brasil, Chevron Latin America Marketing LLC and Transocean Brasil Ltda. (the operator of the rig at the time of the spill), claiming US\$11 billion in damages. The amount of this claim was attributed to the dispute by the federal prosecutor.

The Company believes that the amount attributed to this claim is unreasonable and is disproportionately high relative to the extent of the damages caused by the spill. Although the Company is not a party to this claim, as a member of the Frade consortium, the Company may be contractually liable for 30% of all loss contingencies arising out of this oil spill. In the event that Chevron is held liable under this claim, the Company may have to bear up to 30% of the cost of damages paid by Chevron.

28.4 Contingencies assets

28.4.1 Recovery of maintenance costs – Barracuda & Caratinga

In 2006, Petrobras, as representative of Barracuda & Caratinga Leasing Company B.V. (BCLC), commenced an arbitration abroad against Kellogg, Brown, Root, LLC (KBR) to obtain indemnifications for maintenance costs incurred on flexible lines of the Barracuda and Caratinga field, during the period covered by a contractual guarantee.

On September 21, 2011, the arbitration Court decided in favor of BCLC, definitively, condemning KBR to indemnify US\$181 plus arbitration costs incurred by Petrobras and legal fees. After the final decision, Petrobras recognized the amount of US\$181 in non-current assets.

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Consolidated notes to the financial statements (Continued)

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28. Legal proceedings and contingencies (Continued)

28.4 Contingencies assets (Continued)

28.4.2 Recovery of PIS and COFINS taxes on financial revenue

Petrobras and its subsidiaries filed a civil suit against the Federal Government claiming to recover, through offsetting, amounts paid as taxes on financial revenue and exchange gains (PIS) in the period between February 1999 and November 2002 and COFINS between February 1999 and January 2004, taking into consideration that paragraph 1 of article 3 of Law 9,718/98 is unconstitutional.

On November 9, 2005, the Federal Supreme Court considered paragraph 1 of article 3 of Law 9,718/98 is unconstitutional.

On November 18, 2010, the Superior Court of Justice upheld the claim by Petrobras, filed in 2006 to recover the COFINS for the period from January 2003 to January 2004. After the final decision, Petrobras recognized the amount of US\$ 183 as recoverable taxes in non current assets.

On December 31, 2011, the amount of US\$1,166 related to these claims are not recognized in the financial statement pending final favorable decision.

28.4.3 Legal proceeding in the United States - P-19 e P-31

In 2002, Braspetro Oil Service Company (Brasoil) and Petrobras won related lawsuits filed with the US lower courts by the insurance companies United States Fidelity & Guaranty Company and American Home Assurance Company in which they were trying to obtain, since 1997, with respect to the first company (Brasoil), a legal declaration that exempted them from the obligation of paying the performance bond of the platforms P-19 and P-31, and, with respect to the second company (Petrobras), they were seeking reimbursement of any quantities for which they might happen to be condemned in the execution proceedings of the performance Bond.

On July 21, 2006, the US court handed down an executive decision, conditioning the payment of the amounts owed to Brasoil to the permanent closing of legal proceedings involving identical claims in progress before the Brazilian courts, which the parties proceeded to do.

The amount of damages pleaded is approximately US\$245.

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29. Commitments for purchase of natural gas

Petrobras entered into an agreement with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) to purchase a total of 201.9 billion m³ of natural gas during the term of the agreement, undertaking to purchase minimum annual volumes at a price calculated according to a formula indexed to the price of fuel oil. The agreement is valid until 2019 and will be renewed until the total contracted volume has been consumed.

On December 31, 2011, the minimum purchase commitment for the period from 2012 to 2019 is approximately 70.3 billion m³ of natural gas, equivalent to 24.06 million m³ per day, which corresponds to an estimated total of US\$15.2 billion.

30. Guarantees for concession agreements for petroleum exploration

Petrobras gave guarantees of US\$ 3,207 to the National Petroleum Agency (ANP) for the Minimum Exploration Programs as established in the concession agreements for exploration areas. Of this amount, US\$ 2,894 are outstanding, net of commitments already undertaken. Of the outstanding amount, US\$ 1,805 refers to oil lien and US\$ 1,089 to bank guarantees.

31. Derivative instruments, hedging and risk management activities

The Company is exposed to a number of market risks arising from its normal course of business. Such market risks principally involve the possibility that changes in interest rates, foreign currency exchange rates or commodity prices will adversely affect the value of the Company's financial assets and liabilities or future cash flows and earnings.

31.1 Commodity price risk management

Petrobras' risk management policy seeks to obtain an appropriate equilibrium between its growth and return targets and its risk exposure in order to achieve its strategic goals.

Petrobras's risk management is conducted by its officers, following a corporate risk management policy. In March 2010, the Executive Committee established the Financial Integration Committee, responsible for Petrobras' risk assessment and management, composed of all the executive managers of the financial department and executive managers of the business departments. Executive Committee is responsible for taking decisions.

Petrobras risk management is based on a consolidated perspective of its operations, which may result in natural hedges opportunities. Financial and market risk are managed by operations resulting from appropriate equity and debt management.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.2 Risk of change in the prices of oil and oil products

a) Oil and oil products risk management

The Company is exposed to commodity price risks as a result of the fluctuation of crude oil and oil product prices.

The Financial Integration Committee may recommend derivatives instruments, based on a consolidated perspective of operations and to ensure corporate plan investments, subject to the Board of Directors approval.

b) Main transactions and future commitments hedged by derivative operations

As a result of the Company currently price risk management, the derivatives are contracted as short term operations, to mitigate the price risk of specific transactions abroad. The operations are carried out on the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE), as well as on the international over-the-counter market.

c) Parameters used for risk management

The main parameters used for commodity prices risk management are the Cash Flow at Risk (CFAR), Value at Risk (VAR) and Stop Loss.

At December 31, 2011, derivative instruments presented a maximum estimated loss per day (VAR – Value at Risk), calculated at 95% confidence level, of approximately US\$ 2.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.2 Risk of change in the prices of oil and oil products (Continued)

d) Notional amount and fair value of derivative instruments of oil and oil products

	Notional value in thousand of bbl *		Fair value recognized**		Maturity
	2011	2010	12.31.2011	12.31.2010	
Future Contracts	(6,217)	(8,570)	18	(24)	2012
Purchase commitments	30,193	19,921			
Sale commitments	(36,410)	(28,491)			
Options Contracts	(2,130)	(1,679)	(2)	(2)	2012
Call	(730)	1,446	(2)		
Holder portion	6,728	1,646			
Seller portion	(7,458)	(200)			
Put	(1,400)	(3,125)		(2)	
Holder portion	3,990	2,070			
Seller portion	(5,390)	(5,195)			
Over the counter	275	354			2012
Buyer position	275	979			
Seller position		(625)			
Total recorded in other current assets and liabilities			16	(26)	

* A negative notional value represents a seller position.

** Negative fair values were recorded in liabilities and positive fair values in assets.

Main counterparties of the operations: NYMEX, ICE, Morgan Stanley, BNP Paribas, BP North America Chicago, Shell (Stasco).

e) Gains and losses in the year

Derivatives for oil and oil products	Year ended December 31,	
	2011	2010
Loss recorded in the income statement	(245)	(2)

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31. Derivative instruments, hedging and risk management activities (Continued)

31.2 Risk of change in the prices of oil and oil products (Continued)

f) Value and type of margins given in guarantee

The guarantees given as collateral generally consist of deposits.

	Year ended December 31,	
	2011	2010
Foreign currency derivatives		
Gain (loss) recorded in results	100	208

g) Sensitivity analysis

The probable scenario is the fair value at December 31, 2011. The possible and remote scenarios consider a deterioration in the prices in the risk variable of 25% and 50%, respectively.

Market derivatives for oil and oil products	Risk	Probable scenario in	Probable scenario	Remote scenario
		2011	(Δ de 25%)	(Δ de 50%)
Brent	High in Brent Oil	(4)	(164)	(309)
Gasoline	Low in Gasoline	2	9	15
Fuel Oil	High of Fuel Oil	(8)	(133)	(258)
WTI	High of WTI		1	(11)
Diesel	Low of Diesel	3	(8)	(20)
Ethanol	High of Ethanol	1	(14)	(29)
Naphtha	High of Naphtha		(2)	(4)
Dubai	High of Dubai Oil	1	(6)	(13)
LLS	Low of LLS Oil		(4)	(8)

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31. Derivative instruments, hedging and risk management activities (Continued)

31.2 Risk of change in the prices of oil and oil products (Continued)

h) Embedded derivatives

Derivatives embedded within other financial instruments or other host contracts are treated as separate derivatives when they have a price based on an underlying that is not clearly and closely related to the asset being sold or purchased. The assessment is made at the inception of the contracts. Such derivatives are separately from the host contract and recognized at fair value with changes in fair value recognized in earnings.

The embedded derivatives outstanding are:

Sale of ethanol

Petrobras entered into a sales contract of ethanol in which the price is based on ethanol and naphtha prices. Naphtha is an extraneous underlying to the cost and fair value of the asset being sold. The embedded derivative was bifurcated from the host contract and recognized at fair value, classified at level 3, through earnings.

The following table presents the fair value of the embedded derivative and a sensitivity analysis at December 31, 2011:

	Notional value in thousand of m3	Fair value	Maturity
Over the counter contracts			
Buyer position	715	26	2016
Foreign Currency Derivatives	Risk	Probable scenario at December 31, 2011	Possible Scenario (Δ of 25%)
Naphtha xEthanol Swap	Decrease in spread Naphtha xEthanol	26	21
		17	

The Company determined the fair value based on the difference between the spreads for naphtha and ethanol. Ethanol sales price in the contract refers to Brazilian market (ESALQ). The market quotations used in the measurement were obtained from the CBOT (Chicago Board of Trade) future market at closing date.

Fair value gains or losses are classified as financial income in the income statement.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.3 Foreign currency risk

Petrobras is exposed to foreign currency risk as a result of the impact of changes in exchange rates on assets and liabilities denominated in foreign currency. Exchange rates changes may have an adverse effect on Petrobras' financial condition, as a result of its liabilities mainly based on foreign currency and revenues sources mainly based on Reais.

a) Foreign currency risk management

Foreign currency risk management is based on a consolidated perspective of its operations, which may result in natural hedges opportunities arising from correlation between revenues and expenses. In situations when such correlation is not applicable, risk management is made by cash investments in Real, Dollar or other foreign currency.

Foreign currency risk management is based on the net exposure. Periodical analyses of the foreign currency risks are prepared, assisting the decisions of the Executive Committee. The exchange risk management strategy involves the use of derivative instruments to minimize the exchange exposure of certain Company's obligations.

b) Main transactions and future commitments hedged by derivative operations

Swaps

Yen vs. Dollar

In September 2006, the Company contracted a hedge known as a cross currency swap for coverage of the bonds issued in Yens in order to lock the costs of this operation in dollars. In a cross currency swap there is an exchange of interest rates in different currencies. The exchange rate of the Yen for the US dollar is fixed at the beginning of the transaction and remains fixed during its existence. The Company does not intend to settle these contracts before the end of the term.

Effectiveness is tested quarterly both at the inception of a hedge and on an ongoing basis. The Company has elected to designate its cross currency swap as cash flow hedges.

Dollar vs. CDI (Interbanking Certificate Deposits)

The Company entered into a swap contract related to financing of imports (FINIMP) for purchase of petroleum.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.3 Foreign currency risk (Continued)

b) Main transactions and future commitments hedged by derivative operations (Continued)

Dollar forward contracts

Petrobras is in a short position in exchange futures rates through Non Deliverable Forward on the Brazilian over-the-counter market. The period of exposure is 3 months on average and the operation is conducted for the purpose of securing and guaranteeing the trading margin. These operations did not require margin deposits in guarantee.

c) Notional and fair value of the derivative instruments

The table below summarizes the information on the derivative contracts in force.

	Notional value (in million)		Fair value **		Maturity
	2011	2010	2011	2010	
Dollar - over the counter contracts					
Seller position	USD 87	USD 61	(2)	2	2012
	USD 87	USD 61	(2)	2	
Swaps			17		2012
Asset position					
Foreign currency (US dollar)	USD 127		128		
Liability position					
CDI reais	BRL 199		(111)		
Cross Currency Swap			130	115	2016
Asset position					
Average rate of receipt (JPY) = 2.15% p.a.	JPY 35,000	JPY 35,000	494	470	
Liability position					
Average rate of payment (USD) = 5.69% p.a.	USD 298	USD 298	(364)	(355)	
Total recorded in other current assets and liabilities			145	117	

* Negative fair values were recorded in liabilities and positive fair values in assets.
Main counterparties of the operations: Citibank, HSBC, Bradesco and Itaú.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.3 Foreign currency risk (Continued)

d) Gains and losses in the year

Foreign currency derivatives	Year ended December 31,	
	2011	2010
Gain (loss) recorded in the income statement	15	4
Gain (loss) recorded in shareholders' equity	5	(6)

e) Value and type of margins given in guarantee

The existing foreign currency derivative operations do not require a guarantee margin deposit.

f) Foreign currency sensitivity analysis for derivatives, loans and financial investments

The probable scenario is the fair value at December 31, 2011. The possible and remote scenarios at December 31, 2011, consider price deterioration in the risk variable of 25% and 50%, respectively.

Foreign Currency Derivatives	Risk	Probable scenario at December 31, 2011	Possible Scenario (Δ of 25%)	Remote Scenario (Δ de 50%)
Dollar forward contracts	Appreciation of Dollar against Real	(2)	(23)	(45)
Cross Currency Swap	Depreciation of Yen against Dollar	130	31	(35)
Swaps	Depreciation of Real against Dollar	17	(20)	(52)

Foreign currency debt *	Risk	Probable scenario at December 31, 2011	Possible Scenario (Δ of 25%)	Remote Scenario (Δ de 50%)
Real ¹	Appreciation of Dollar against Real	14,192	3,548	7,096
Dollar	Appreciation of Dollar against Real	36,258	9,064	18,129
Euro	Appreciation of Euro against Real	2,495	624	1,247
Yen	Appreciation of Yen against Real	1,544	386	772
		54,489	13,622	27,244

¹ Financing in local currency parameterized to the variation of the dollar.

Financial investment*	Risk	Probable scenario at December 31, 2011	Possible Scenario (Δ of 25%)	Remote Scenario (Δ de 50%)
in foreign currency:	Appreciation of Real against Dollar	9,297	(2,324)	(4,649)

^(*) The isolated sensitivity analysis of the financial instruments does not represent the Company's net exposure to exchange risk. Considering the balance between liabilities, assets, revenues and future commitments in foreign currency, the economic impact of possible exchange variations is not considered material.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.4 Interest rate risk

The Company's interest rate risk is a function of the Company's long-term debt and to a lesser extent, its short-term debt. If the market interest rates (particularly LIBOR) rise, the financial expenses will increase, which may cause a adverse effect on Petrobras' financial condition. Foreign currency debts at floating rates are subject, mainly, to the fluctuation of the LIBOR and the debts expressed in Reais are subject, mainly, to the fluctuation in the long-term interest rate (TJLP), published by the Banco Central do Brasil.

Interest rate risk management

Petrobras uses derivative financial instruments to manage interest rate risk for specific situations presented by certain subsidiaries.

a) Main transactions and future commitments hedged by operations with derivatives

Swaps

Floating interest rate (Libor USD) vs. fixed rate (USD)

The Company entered into a contract swapping floating rate to fixed rate in an obligation. The main purpose is eliminating the mismatch between assets and liabilities cash flows of an investment project. The Company does not intend to settle the operation before its maturity. This derivative is accounted for as hedge accounting.

Floating interest rate (Euribor) vs. fixed rate (EUR)

The Company entered into a swap contract in order to lock the interest rate related to a financing.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.4 Interest rate risk (Continued)

b) Notional and fair value of the derivative instruments

	Notional value (in million)		Fair value **		Maturity
	2011	2010	2011	2010	
Swaps contracts					
Liability position	USD 478	USD 487	(36)	8	2020
Swaps contracts			(2)		2015
Asset position					
Euribor 1M	EUR20				
Liability position					
Fixed rate of 4.19% p.a.	EUR20		(2)		
Total recorded in other current assets and liabilities			(38)	8	

** Negative fair values were recorded in liabilities and positive fair values in assets.

c) Sensitivity analysis of interest rate derivatives

Foreign Currency Derivatives	Risk	Probable Scenario at December 31, 2011	Possible Scenario (Δ de 25%)	Remote Scenario (Δ de 50%)
Swaps	Decrease in Libor	(36)	(54)	(66)
Swaps	Decrease in Euribor	(2)	(2)	(2)
		F-97		

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31. Derivative instruments, hedging and risk management activities (Continued)

31.5 Credit risk

Petrobras is exposed to the credit risk of clients and financial institutions, resulting from its operations and its cash management. These risks consist of the possibility of non-receipt of sales made and amounts invested, deposited or guaranteed by financial institutions.

Credit risk management objectives and strategies

Credit risk management in Petrobras is part of financial risk management, which is performed by the Company's officers. The Credit Commissions, due to a decision by the Executive Board, are each composed of three members and chaired by the Executive Manager for Financial Planning and Risk Management and the other members are the Executive Manager for Finances and the Executive Manager for the commercial department dealing with the client or with the financial institution.

The purpose of the Credit Commissions is to analyze credit concessions and promote integration between operating units and provide recommendations to them.

The credit risk management policy seeks to minimize credit risk exposure while sales and financial operations are maximized, through an efficient credit analysis, concession and management process.

Parameters used for credit risk management

Petrobras uses quantitative and qualitative parameters appropriate for each operating area.

The Company's commercial credit portfolio, which surpasses US\$ 40,000, is very diversified and the credits are divided between clients on the Brazilian domestic market and foreign markets. Amongst the main clients there are major oil companies.

Financial institutions credits approximates US\$ 30,000, distributed between the main international banks, considered by rating agencies as Investment Grade, and Brazilian banks.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.5 Credit risk (Continued)

Guarantees used in credit risk management

Only guarantees issued by financial institutions that have credit available, in accordance with the parameters adopted by the Company, are accepted.

Credit sales to clients considered as high risk are only made through receipt of guarantees. Accordingly, Petrobras accepts letters of credit issued abroad, bank guarantees issued in Brazil, mortgages and collateral. For clients considered as medium risk, guarantees and endorsements of the partners of the companies, both individuals and legal entities, are also accepted.

The table below presents the maximum exposure to credit risk:

	<u>2011</u>
Guarantees	2,143
Derivatives	183
Financial investments	8,661

The maximum exposure to the accounts receivable credit risk is represented by the carrying amount described in Note 7.

31.6 Liquidity risk

Petrobras uses its funds mainly for capital expenditures, payment of dividends and debt repayments. Historically, the conditions are met with funds generated internally, short and long-term debts, project financing, sales transactions and leasing. These sources of funds, allied to the Company's strong financial position, will continue to permit compliance with the established capital requirements.

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31. Derivative instruments, hedging and risk management activities (Continued)

31.6 Liquidity risk (Continued)

Liquidity risk management

The liquidity risk management policy adopted by the Company establishes the continuity of extending the term of maturity of our debts, through the financing capacity of the domestic market and developing a strong presence on the international capital market, by expanding fixed income investor base.

Petrobras finances the working capital, through short-term debts related to our commercial flow, such as export credit notes and advances on exchange contracts. Investments in non current assets are financed through long term debts such as issuing bonds on the international market, credit agencies, export prepayment and payment, development banks in Brazil and abroad, and lines of credit with Brazilian and international commercial banks.

Nominal flow of principal and interest on financing

Maturity	As of December 31, 2011
2012	13,978
2013	8,957
2014	10,046
2015	11,219
2016	18,987
2017	11,289
2018 and thereafter	59,651
Balance at December 31, 2011	134,127
Balance at December 31, 2010	105,107

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31. Derivative instruments, hedging and risk management activities (Continued)

31.7 Financial investments (operations with derivatives)

Operations with derivatives, both on the domestic market and on the foreign market, seek an efficient management of cash and cash equivalents by changing assets indexes.

The following table presents the market values of the operations with derivatives held in the exclusive investment funds as of December 31, 2011.

<u>Contract</u>	<u>Quantity</u>	<u>Notional value</u>	<u>Fair value *</u>	<u>Maturity</u>
<u>Future DI</u>	<u>(39,957)</u>	<u>(1,729)</u>		
Buyer position	31,724	1,414	1	2012 to 2014
Seller position	(71,681)	(3,143)	(1)	2012 to 2014
<u>Future dollar</u>	<u>147</u>	<u>7</u>		2012
Buyer position	312	15		
Seller position	(165)	(8)		

32. Fair value of financial assets and liabilities

Fair values are determined based on market price quotations, when available, or, in the absence thereof, on the present value of expected cash flows. The fair values of cash and cash equivalents, trade accounts receivable, short term debt and accounts payable to suppliers are the same as their carrying values. The fair values of other long-term assets and liabilities do not differ significantly from their carrying values.

The carrying amount of long-term loans at December 31, 2011 amounted US\$ 72,718. The estimated fair values was US\$ 73,163, calculated at the prevailing market rates, considering natures, maturities and risks similar to the recognized contracts.

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32. Fair value of financial assets and liabilities (Continued)

The hierarchy of the fair values of the financial assets and liabilities, recorded at fair value on a recurring basis, is presented as follows:

	Fair value measured based on			Total Fair value recorded
	Prices quoted on active market (Level 1)	Valuation technique supported by observable prices (Level 2)	Valuation technique without use of observable prices (Level 3)	
Assets				
Marketable securities	11,870			11,870
Foreign currency derivatives	17	130		147
Commodity derivatives	35		26	61
Balance at December 31, 2011	11,922	130	26	12,078
Balance at December 31, 2010	18,596	119	32	18,746
Liabilities				
Foreign currency derivatives		(2)		(2)
Commodity derivatives	(19)			(19)
Interest derivatives	(36)			(36)
Balance at December 31, 2011	(55)	(2)		(57)
Balance at December 31, 2010	(38)	(2)		(40)

33. Insurance

In accordance with the Company's policies, insurance contracts usually cover risks that may adversely impact the Company's assets as well as risks subject to legal or contractual obligations. The other risks are subject to self-insurance, with Petrobras intentionally assuming the full risk through absence of insurance. The Company assumes an expressive portion of its risk, by contracts that may reach an amount equivalent to US\$ 60.

The risk assumptions adopted are not part of the scope of financial statements audit. Accordingly, they were not examined by our independent auditors.

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33. Insurance (Continued)

The main information concerning the insurance coverage outstanding at December 31, 2011 are:

<u>Assets</u>	<u>Types of coverage</u>	<u>Amount insured</u>
Facilities, equipment and inventories	Fire and operating risks	126,608
Tankers and auxiliary vessels	Hulls	2,287
Fixed platforms, floating production systems and offshore drilling units	Oil risks	28,013
Total		156,908

Petrobras does not enter into insurance for loss of earnings, control of wells and the pipeline network in Brazil.

34. Subsequent events

Raising of funds for PifCo

On February 6, 2012, Petrobras International Finance Company (PifCo) concluded the offer of Global Notes on the international market, resulting in the receipt of funds in the amount of US\$ 7 billion which will be used to finance the Company's investments. The transaction consisted of issuing securities with maturity in 2015 and 2017 and the reopening of securities maturing in 2021 and 2041, whose annual interest rates are 2.875%, 3.50%, 5.375% and 6.75%, respectively, with semiannual payment of interest.

The issuance costs were approximately US\$ 22 million with a discount of US\$ 16 million (2015 and 2017 series) and a premium on the reopening of the securities of US\$ 255 million (2021 and 2041 series), resulting in effective annual interest rates of 3.15%, 3.69%, 4.84% and 5.95% respectively. Global Notes are fully and unconditional guaranteed by the Parent Company.

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34. Subsequent events (Continued)

Investment agreement for a partnership in Gás Brasileiro Distribuidora

On February 8, 2012, Petrobras Gás S.A. (Gaspetro), Gás Brasileiro Distribuidora S.A. (GBD) and Companhia Energética de Minas Gerais (Cemig) signed an investment agreement that establishes the entry of Cemig in the capital of GBD, resulting in a company with a 60% interest held by Gaspetro and a 40% interest held by Cemig. Currently GBD is controlled 100% by Gaspetro.

The implementation of this Agreement is subject to the approval of the relevant regulatory agencies and the conclusion of the transaction is expected to take place during 2012.

35. Accounting for Suspended Exploratory Wells

Exploratory costs directly associated with the drilling of wells are initially capitalized as part of the Property, Plant and Equipment, pending the determination of whether the well has found proved reserves.

Exploratory wells that have found oil and gas reserves, but reserves cannot be classified as proved, continue to be capitalized if the well has found a sufficient quantity of reserves to justify its completion as a producing well and progress on assessing the reserves and the economic and operating viability of the project is taking place.

The following table shows the net changes in capitalized exploratory drilling costs during the years ended December 31, 2011 and 2010:

	Unproved oil and gas properties (*)	
	Year ended December, 31	
	2011	2010
Beginning balance at January 1,	7,742	5,516
Additions to capitalized costs pending determination of proved reserves	6,258	5,108
Capitalized exploratory costs charged to expense	(1,520)	(1,064)
Transfers to property, plant and equipment based on the determination of the proved reserves	(1,482)	(2,059)
Cumulative translation adjustment	(878)	241
Ending balance at December 31,	10,120	7,742

(*) Amounts capitalized and subsequently expensed in the same period have been excluded from the above table.

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35. Accounting for Suspended Exploratory Wells (Continued)

The following table provides an aging of capitalized exploratory well costs based on the date the drilling was completed and the number of projects for which exploratory well costs have been capitalized for a period greater than one year since the completion of the drilling:

	Aging of capitalized exploratory well costs	
	Year ended December 31,	
	2011	2010
Capitalized exploratory well costs that have been capitalized for a period of one year or less	3,166	3,004
Capitalized exploratory well costs that have been capitalized for a period greater than one year	6,954	4,738
Ending balance	10,120	7,742
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	99	84

Of the US\$ 6,954 for 99 projects that include wells suspended for more than one year since the completion of drilling, approximately US\$ 1,513 are related to wells in areas for which drilling was under way or firmly planned for the near future and that the Company has submitted an "Evaluation Plan" to the ANP for approval and approximately US\$ 4,010 incurred in costs for activities necessary to assess the reserves and their potential development.

The US\$ 6,954 of suspended wells cost capitalized for a period greater than one year as of December 31, 2011, represents 235 exploratory wells and the table below contains the aging of these costs on a well basis:

Aging based on drilling completion date of individual wells:

	Million of dollars	Number of wells
2010	2,208	78
2009	1,951	56
2008	1,362	53
2007	352	24
2006 and therefore	1,081	24
	6,954	235

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Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

36. Summary of main differences between U.S. GAAP and IFRS

The Company's consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS which differs in certain aspects from accounting principles generally accepted in United States of America (U.S. GAAP).

A summary of the main differences between the U.S. GAAP and the IFRS which are applicable to the Company is presented below:

a) Property, Plant and Equipment

Adjustment for hyperinflationary period

Prior to 1998, Brazil was considered to have a hyperinflationary economy. Under U.S. GAAP, during a hyperinflationary period, Property, Plant and Equipment items were translated into US Dollars based on the historical exchange rates.

On January 1, 1998 Brazil ceased to be hyperinflationary and Petrobras remeasured the U.S. dollar amounts of Property, Plant and Equipment into Brazilian Reais at the current exchange rate. Those amounts became the new accounting basis under U.S. GAAP.

According to IFRS, Property, Plant and Equipment had to be adjusted by a general price index during the hyperinflationary period. After the hyperinflationary period, the adjusted amounts became the new carrying amount.

Capitalization of interest

U.S. GAAP and IFRS require an entity to capitalize interest costs that are directly attributable to the obtaining of a qualifying asset. However, when adopting IFRS for the first time, the Company elected to apply the transitional provisions set out in IAS 23 - Borrowing Costs. As a result, the Company assumed the BR GAAP carrying amount for its IFRS carrying amount on its opening balance sheet under IFRS.

Regarding the measurement of the amounts subject to capitalization, IFRS specifies that when an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the actual borrowing costs incurred on that borrowing shall be capitalized. Unlike IFRS, U.S. GAAP states that an entity may use the rate of that borrowing.

IFRS also requires an entity to deduct any income earned on the temporary investment of actual borrowings from the amount of borrowing costs to be capitalized. This deduction is generally not allowed under U.S. GAAP.

Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

36. Summary of main differences between U.S. GAAP and IFRS (Continued)

Impairment Test

There are significant differences between IFRS and U.S. GAAP impairment requirements.

U.S. GAAP requires a two-step impairment model. The first step consists in comparing the carrying amount of the asset with its undiscounted cash flow and, if the carrying amount is lower, then the impairment loss is the result of the difference between the carrying amount of the asset and its discounted cash flow. Once recorded, impairment losses are no longer reversed.

Unlike U.S. GAAP, IFRS uses one-step impairment model. For IFRS purposes, impairment loss is recorded when the carrying amount of the asset is lower than its recoverable amount (the higher of the asset's fair value less cost to sell or the asset's value in use). Impairment losses may be reversed up to the initial carrying amount of the asset, as if the impairment charge had not been recognized for the asset in prior years.

b) Provision for abandonment of wells and dismantling of areas

Both U.S. GAAP and IFRS require that when an asset retirement liability is recognized, a corresponding amount is capitalized as an additional cost of the related asset. The liability is measured based on the estimated discounted future cash outflows of the abandonment. The unwinding of the discount is included in profit for the period.

U.S. GAAP requires discounting downwards revisions to the estimates of the timing or amount of future cash outflows by historical rates. Only upward revisions are discounted by the current rate of the measurement period. Unlike U.S. GAAP, IFRS requires a fresh-start method, under which the liability is discounted by the current rate of the measurement period.

c) Planned Major Maintenance

For U.S. GAAP purposes planned major maintenance are expensed when incurred. Unlike U.S. GAAP, IFRS requires the capitalization of such costs when certain conditions are met.

d) Investments

Equity method investment

U.S. GAAP requires exchanges of equity method investments for a similar productive asset to be measured at fair value. Unlike U.S. GAAP, IFRS requires fair value measurement only when the exchange has commercial substance .

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Consolidated notes to the financial statements (Continued)

(Expressed in millions of US Dollars, except when specifically indicated)

36. Summary of main differences between U.S. GAAP and IFRS (Continued)

d) Investments (Continued)

Business Combination

For the purposes of U.S. GAAP, business combinations are recorded based on the acquisition method which is similar to IFRS. As permitted by IFRS 1, the Company did not retroactively apply IFRS on business combinations occurred prior to IFRS first time adoption. As a result the Company assumed BR GAAP carrying amount on its opening balance sheet under IFRS.

e) Pension and Health Care Plan

U.S. GAAP requires actuarial gains and losses to be recognized as OCI “Other Comprehensive Income” in the shareholders’ equity. According to IFRS the recognition of the actuarial gains and losses may be deferred based on a method called “the corridor approach”.

According to U.S. GAAP, the net prior service cost was recognized in OCI at the date the plan was adopted and then amortized into profit or loss over the participant’s remaining years of service. According to IFRS, past service cost should be recognized immediately to the extent that it relates to former employees or to active employees already vested. Otherwise, it should be amortized on a straight-line basis over the average period until the amended benefits become vested.

In addition, when the Company first time adopted IFRS, the balance of unrecognized actuarial gains and losses of post-employment benefits was fully recorded against retained earnings at the transition date.

f) Deferred income taxes

The balance of deferred income taxes was impacted by the adjustments included in the reconciliation of net income and shareholders’ equity from U.S. GAAP to IFRS by using the applicable tax rates.

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Consolidated notes to the financial statements (Continued)

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36. Summary of main differences between U.S. GAAP and IFRS (Continued)**Reconciliation between US GAAP and IFRS**

The effect on shareholders' equity and net income due to differences between the U.S. GAAP and IFRS are presented below:

a) Reconciliation of net income under U.S. GAAP and IFRS for the years ended December 31, 2010 and 2009:

	Year ended December, 31	
	2010	2009
Net income in accordance with IFRS	20,055	15,308
Property, Plant and Equipment - hyperinflationary period, capitalization of interest, Impairment Test	a. (989)	531
Provision for Abandonment of Wells and Dismantling of Areas	b. 234	(421)
Planned Major Maintenance	c. (269)	176
Investments	d. (192)	
Pension and Health Care Plan	e. (54)	43
Deferred Income taxes	f. 445	(78)
Other	(46)	(55)
Net income in accordance with U.S. GAAP	19,184	15,504

b) Reconciliation of shareholders' equity under IFRS and U.S. GAAP as of December 31, 2010:

	As of December, 31	
	2010	
Shareholders' equity in accordance with IFRS		184,110
Property, Plant and Equipment - hyperinflationary period, capitalization of interest, Impairment Test	a. 3,092	
Provision for Abandonment of Wells and Dismantling of Areas	b. (27)	
Planned Major Maintenance	c. (1,241)	
Investments	d. (899)	
Pension and Health Care Plan	e. (4,120)	
Deferred Income Taxes	f. 515	
Other		64
Shareholders' equity in accordance with U.S. GAAP		181,494

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production (unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

In accordance with Codification Topic 932 - Extractive Activities – Oil and Gas, this section provides supplemental information on oil and gas exploration and producing activities of the Company. The information included in items (i) through (iii) provides historical cost information pertaining to costs incurred in exploration, property acquisitions and development, capitalized costs and results of operations. The information included in items (iv) and (v) present information on Petrobras' estimated net proved reserve quantities, standardized measure of estimated discounted future net cash flows related to proved reserves, and changes in estimated discounted future net cash flows.

Beginning in 1995, the Federal Government of Brazil undertook a comprehensive reform of the country's oil and gas regulatory system. On November 9, 1995, the Brazilian Constitution was amended to authorize the Federal Government to contract with any state or privately-owned company to carry out the activities related to the upstream and downstream segments of the Brazilian oil and gas sector. This amendment eliminated Petrobras' effective monopoly. The amendment was implemented by the Oil Law, which liberated the fuel market in Brazil beginning January 1, 2002.

The Oil Law established a regulatory framework ending Petrobras' exclusive agency and enabling competition in all aspects of the oil and gas industry in Brazil. As provided in the Oil Law, Petrobras was granted the exclusive right for a period of 27 years to exploit the petroleum reserves in all fields where the Company had previously commenced production. However, the Oil Law established a procedural framework for Petrobras to claim exclusive exploratory (and, in case of success, development) rights for a period of up to three years with respect to areas where the Company could demonstrate that it had "established prospects". To perfect its claim to explore and develop these areas, the Company had to demonstrate that it had the requisite financial capacity to carry out these activities, alone or through financing or partnering arrangements.

The adoption of the SEC rules seeking to modernize the supplemental oil and gas disclosures and the FASB's issuance of the Accounting Standards Update n° 2011-03, "Oil and Gas Reserve Estimation and Disclosure", generated no material impact to the Company's consolidated financial statements other than additional disclosures.

The "International" geographic area includes activities in South America, which includes Argentina, Colombia, Ecuador, Peru, Uruguay and Venezuela; North America, which includes Mexico and the United States of America; Africa, which includes Angola, Libya, Namibia, Nigeria, and Tanzania, and Others, which includes India, Iran, Portugal, Cuba, New Zealand, Australia and Turkey. The equity investments are composed of Venezuelan companies involved in exploration and production activities.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production
(unaudited)*(Expressed in millions of US Dollars, except when specifically indicated)***(i) Capitalized costs relating to oil and gas producing activities**

The following table summarizes capitalized costs for oil and gas exploration and production activities with the related accumulated depreciation, depletion and amortization, and asset retirement obligation assets:

	Consolidated Entities						Equity
	Brazil	South America	North America	Africa	Others	International	Method Investees
December 31, 2011							Total
Unproved oil and gas properties	51,773	523	1,898	593	36	3,050	54,823
Proved oil and gas properties	43,940	3,915	2,141	3,235		9,291	53,231
Support equipments	51,509	1,119	24	(24)	2	1,121	52,630
Gross capitalized costs	147,222	5,557	4,063	3,804	38	13,462	160,684
Depreciation and depletion	(39,518)	(2,937)	(454)	(1,316)	(1)	(4,708)	(44,226)
	107,704	2,620	3,609	2,488	37	8,754	116,458
Construction and installations in progress	23,640	286		90		376	24,016
Net capitalized costs	131,344	2,906	3,609	2,578	37	9,130	140,474
December 31, 2010							
Unproved oil and gas properties	55,369	333	1,525	571	2	2,431	57,800
Proved oil and gas properties	39,098	3,288	1,779	2,850	11	7,928	47,026
Support equipments	45,848	1,194	25	32	14	1,265	47,113
Gross capitalized costs	140,315	4,815	3,329	3,453	27	11,624	151,939
Depreciation and depletion	(37,175)	(2,557)	(408)	(751)	(2)	(3,718)	(40,893)
	103,140	2,258	2,921	2,702	25	7,906	111,046
Construction and installations in progress	26,017	5				5	26,022
Net capitalized costs	129,157	2,263	2,921	2,702	25	7,911	137,068

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Supplementary Information on Oil and Gas Exploration and Production
(unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(ii) Costs incurred in oil and gas property acquisition, exploration and development activities

Costs incurred are summarized below and include both amounts expensed and capitalized:

	Consolidated Entities						Equity Method
	Brazil	South America	North America	Africa	Others	International	Investees
						Total	Total
At December 31, 2011							
Properties acquisitions:							
Proved		16			36	52	3
Unproved	4	194	344	15		553	
Exploration costs	5,643	316	160	322	20	818	1
Development costs	14,370	437	98			535	58
	<u>20,017</u>	<u>963</u>	<u>602</u>	<u>337</u>	<u>56</u>	<u>1,958</u>	<u>62</u>
At December 31, 2010							
Properties acquisitions:							
Proved		19		(67)		(48)	4
Unproved	44,961			33		33	44,994
Exploration costs	4,206	187	53	91	833	1,164	1
Development costs	14,133	428	812	193		1,433	31
	<u>63,300</u>	<u>634</u>	<u>865</u>	<u>250</u>	<u>833</u>	<u>2,582</u>	<u>36</u>
At December 31, 2009							
Properties acquisitions:							
Proved		24		65		89	5
Unproved	9			2		2	11
Exploration costs	4,531	199	64	96	157	516	5,047
Development costs	11,631	319	571	307		1,197	83
	<u>16,171</u>	<u>542</u>	<u>635</u>	<u>470</u>	<u>157</u>	<u>1,804</u>	<u>88</u>

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Supplementary Information on Oil and Gas Exploration and Production (unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(iii) Results of operations for oil and gas producing activities

The Company's results of operations from oil and gas producing activities for the years ended December 31, 2011, 2010 and 2009 are shown in the following table. The Company transfers substantially all of its Brazilian crude oil and gas production to the Refining, Transportation & Marketing segment in Brazil. The prices calculated by the Company's model may not be indicative of the price the Company would have realized had this production been sold in an unregulated spot market. Additionally, the prices calculated by the Company's model may not be indicative of the future prices to be realized by the Company, Gas prices used are contracted prices to third parties.

Production costs are lifting costs incurred to operate and maintain productive wells and related equipment and facilities, including such costs as operating labor, materials, supplies, fuel consumed in operations and the costs of operating natural liquid gas plants. Production costs also include production severance taxes, administrative expenses and depreciation and amortization of equipment associated with production activities.

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(iii) Results of operations for oil and gas producing activities (Continued)

Exploration expenses include the costs of geological and geophysical activities and non-productive exploratory wells. Depreciation and amortization expenses relate to assets employed in exploration and development activities. In accordance with Codification Topic 932 – Extractive Activities – Oil and Gas, income taxes are based on statutory tax rates, reflecting allowable deductions. Interest income and expense are excluded from the results reported in this table.

	Consolidated Entities						Equity Method
	Brazil	South America	North America	Africa	Others	International	Investees
At December 31, 2011						Total	Total
Net operation revenues:							
Sales to third parties	516	1,018	8	290		1,316	289
Intersegment	73,601	1,553	108	2,123		3,784	7
	74,117	2,571	116	2,413		5,100	296
Production costs	(26,755)	(1,198)	(31)	(134)		(1,363)	(142)
Exploration expenses	(2,182)	(224)	(28)	(92)	(97)	(441)	(1)
Depreciation, depletion and amortization	(6,358)	(408)	(53)	(263)	(1)	(725)	(121)
Impairment of oil and gas properties	(229)	1				1	(56)
Others operating expenses	(1,557)	(214)	(216)	258	(22)	(194)	
Results before income tax expenses	37,036	528	(212)	2,182	(120)	2,378	(24)
Income tax expenses	(12,592)	(151)		(791)		(942)	4
Results of operations (excluding corporate overhead and interest cost)	24,444	377	(212)	1,391	(120)	1,436	(20)

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(iii) Results of operations for oil and gas producing activities (Continued)

	Consolidated Entities							Equity Method
	Brazil	South America	North America	Africa	Others	International	Total	Investees
At December 31, 2010								
Net operation revenues:								
Sales to third parties	242	770	7			777	1,019	99
Intersegment	54,031	1,280	56	1,629		2,965	56,996	21
	54,273	2,050	63	1,629		3,742	58,015	120
Production costs	(19,979)	(838)	(29)	(84)		(951)	(20,930)	(84)
Exploration expenses	(1,485)	(158)	(56)	(289)	(189)	(692)	(2,177)	(1)
Depreciation, depletion and amortization	(5,183)	(348)	(31)	(320)	(1)	(700)	(5,883)	(84)
Impairment of oil and gas properties	52	(6)				(6)	46	(53)
Others operating expenses	(1,921)	(135)	(36)	(70)	64	(177)	(2,098)	
Results before income tax expenses	25,757	565	(89)	866	(126)	1,216	26,973	(102)
Income tax expenses	(8,757)	(148)		(163)		(311)	(9,068)	(21)
Results of operations (excluding corporate overhead and interest cost)	17,000	417	(89)	703	(126)	905	17,905	(123)
At December 31, 2009								
Net operation revenues:								
Sales to third parties	473	652	64	140		856	1,329	213
Intersegment	38,286	1,161		957		2,118	40,404	18
	38,759	1,813	64	1,097		2,974	41,733	231
Production costs	(16,375)	(736)	(29)	(183)		(948)	(17,323)	(49)
Exploration expenses	(1,575)	(198)	(49)	(189)	(71)	(507)	(2,082)	
Depreciation, depletion and amortization	(3,532)	(384)	(37)	(299)	(1)	(721)	(4,253)	(120)
Impairment of oil and gas properties	(316)	4				4	(312)	(77)
Others operating expenses	(1,973)	(147)	(37)	(23)	(18)	(225)	(2,198)	
Results before income tax expenses	14,988	352	(88)	403	(90)	577	15,565	(15)
Income tax expenses	(5,096)	(108)	19	(69)		(158)	(5,254)	(12)
Results of operations (excluding corporate overhead and interest cost)	9,892	244	(69)	334	(90)	419	10,311	(27)

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(iv) Reserve quantities information

The Company's estimated net proved oil and gas reserves and changes thereto for the years 2011, 2010 and 2009 are shown in the following table. Proved reserves are estimated by the Company's reservoir engineers in accordance with the reserve definitions prescribed by the Securities and Exchange Commission.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations-prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

Developed oil and gas reserves are reserves of any category that can be expected to be recovered: (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

In some cases, substantial new investments in additional wells and related facilities will be required to recover these proved reserves. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of reserves are subject to change as additional information becomes available.

Bolivian proved reserves were not classified as such in 2010 due to the new Bolivian Constitution, which restrict the disclosure of estimated reserves for properties under its authority. The initial balance of Bolivian proved reserves for 2010 is adjusted under the line item "Revisions of previous estimates".

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(iv) Reserve quantities information (Continued)

A summary of the annual changes in the proved reserves of oil is as follows (in millions of barrels):

Proved developed and undeveloped reserves	Consolidated Entities						Equity Method Investees	
	Brazil	South America	North America	Africa	International	Synthetic Oil	Total	Total
Reserves at December 31, 2008	8,716.3	288.9	15.5	84.8	389.2		9,105.5	49.1
Revisions of previous estimates	1,778.7	(37.9)	(7.7)	1.7	(43.9)		1,734.8	(3.0)
Extensions and discoveries	100.3	4.8		30.4	35.2	8.0	143.5	
Improved recovery	11.4			10.3	10.3		21.7	(2.8)
Sales of reserves		(99.4)			(99.4)		(99.4)	
Purchases of reserves		99.4			99.4		99.4	
Production for the year	(687.3)	(31.2)	(0.5)	(16.3)	(48.0)	(1.2)	(736.5)	(3.4)
Reserves at December 31, 2009	9,919.4	224.6	7.3	110.9	342.8	6.8	10,269.0	39.9
Revisions of previous estimates	367.8	(9.3)	3.4	13.9	8.0	1.8	377.6	(3.7)
Extensions and discoveries	777.7	26.9			26.9		804.6	
Improved recovery	8.9	0.1		20.7	20.8		29.7	
Sales of reserves		(5.9)	(0.1)		(6.0)		(6.0)	
Purchases of reserves								
Production for the year	(694.8)	(26.6)	(0.5)	(20.6)	(47.7)	(1.2)	(743.7)	(2.7)
Reserves at December 31, 2010	10,379.0	209.8	10.1	124.9	344.8	7.4	10,731.2	33.5
Revisions of previous estimates	571.6	(2.5)	36.4	8.1	42.0	2.4	616.0	(1.1)
Extensions and discoveries	151.2	9.4	8.0		17.4		168.6	
Improved recovery	1.9			6.1	6.1		8.0	
Sales of reserves								
Purchases of reserves								
Production for the year	(692.5)	(25.5)	(0.8)	(21.0)	(47.3)	(1.2)	(741.0)	(2.8)
Reserves at December 31, 2011	10,411.2	191.2	53.7	118.1	363.0	8.6	10,782.8	29.6

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(iv) Reserve quantities information (Continued)

A summary of the annual changes in the proved reserves of natural gas is as follows (in billions of cubic feet):

Proved developed and undeveloped reserves	Consolidated Entities						Equity Method Investees	
	Brazil	South America	North America	Africa	International	Synthetic Gas	Total	
Reserves at December 31, 2008	9,346.0	2,640.5	126.1	26.8	2,793.4		12,139.4	75.7
Revisions of previous estimates	942.4	(1,398.3)	(70.7)	5.0	(1,464.0)		(521.6)	(14.4)
Extensions and discoveries	141.3	5.5			5.5	6.6	153.4	
Improved recovery	0.8						0.8	3.9
Sales of reserves		(110.3)			(110.3)		(110.3)	
Purchases of reserves		110.3			110.3		110.3	
Production for the year	(571.2)	(207.8)	(3.9)		(211.7)	(1.0)	(783.9)	(2.0)
Reserves at December 31, 2009	9,859.3	1,039.9	51.5	31.8	1,123.2	5.6	10,988.1	63.2
Revisions of previous estimates	339.0	(20.3)	3.6	8.6	(8.1)	8.3	339.2	(1.9)
Extensions and discoveries	960.6	324.0			324.0		1,284.6	
Improved recovery	10.4	4.7			4.7		15.1	
Sales of reserves		(1.0)	(0.1)		(1.1)		(1.1)	
Purchases of reserves								
Production for the year	(615.3)	(111.6)	(3.3)		(114.9)	(1.9)	(732.1)	(1.5)
Reserves at December 31, 2010	10,554.0	1,235.7	51.7	40.4	1,327.8	12.0	11,893.8	59.8
Revisions of previous estimates	993.9	(9.7)	15.2	(1.1)	4.4	3.3	1,001.6	(15.0)
Extensions and discoveries	192.3	76.3	9.1		85.4		277.7	
Improved recovery	0.3						0.3	
Sales of reserves								
Purchases of reserves								
Production for the year	(673.5)	(112.7)	(4.1)		(116.8)	(1.9)	(792.2)	(1.3)
Reserves at December 31, 2011	11,067.0	1,189.6	71.9	39.3	1,300.8	13.4	12,381.2	43.5

South America	12.1	23.3	14.8	34.8	17.6	30.6
North America						
Africa						
Others						
Total International	<u>12.1</u>	<u>23.3</u>	<u>14.8</u>	<u>34.8</u>	<u>17.6</u>	<u>30.6</u>
	<u>12.1</u>	<u>23.3</u>	<u>14.8</u>	<u>34.8</u>	<u>17.6</u>	<u>30.6</u>
Total consolidated and non-consolidated entities	<u><u>3,631.4</u></u>	<u><u>5,043.0</u></u>	<u><u>3,624.2</u></u>	<u><u>4,381.6</u></u>	<u><u>3,956.2</u></u>	<u><u>5,075.7</u></u>

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production (unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(v) Standardized measure of discounted future net cash flows relating to proved oil and gas quantities and changes therein

The standardized measure of discounted future net cash flows, related to the above proved oil and gas reserves, is calculated in accordance with the requirements of Codification Topic 932 – Extractive Activities – Oil and Gas. Estimated future cash inflows from production in Brazil and International segments are computed by applying the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions based upon the Company's internal pricing methodology for oil and gas to year-end quantities of estimated net proved reserves. Future price changes are limited to those provided by contractual arrangements in existence at the end of each reporting year. Future development and production costs are those estimated future expenditures necessary to develop and produce year-end estimated proved reserves based on year-end cost indicators, assuming continuation of year-end economic conditions. Estimated future income taxes are calculated by applying appropriate year-end statutory tax rates. These rates reflect allowable deductions and are applied to estimated future pre-tax net cash flows, less the tax basis of related assets. Discounted future net cash flows are calculated using 10% midperiod discount factors. This discounting requires a year-by-year estimate of when the future expenditures will be incurred and when the reserves will be produced.

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production
(unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(v) Standardized measure of discounted future net cash flows relating to proved oil and gas quantities and changes therein (Continued)

The arbitrary valuation prescribed under Codification Topic 932 – Extractive Activities - Oil and Gas requires assumptions as to the timing and amount of future development and production costs. The calculations are made as of December 31 each year and should not be relied upon as an indication of Petrobras' future cash flows or the value of its oil and gas reserves.

	Consolidated Entities						Equity Method Investees
	Brazil	South America	North America	Africa	International	Total	Total
At December 31, 2011							
Future cash inflows	1,099,570	17,606	4,839	13,064	35,509	1,135,079	2,273
Future production costs	(432,615)	(7,911)	(1,485)	(2,714)	(12,110)	(444,725)	(1,205)
Future development costs	(62,488)	(1,923)	(1,349)	(2,618)	(5,890)	(68,378)	(59)
Future income tax expenses	(209,065)	(2,321)		(2,753)	(5,074)	(214,139)	(341)
Undiscounted future net cash flows	395,402	5,451	2,005	4,979	12,435	407,837	668
10 percent midyear annual discount for timing of estimated cash flows	(203,006)	(2,006)	(871)	(1,514)	(4,391)	(207,397)	(223)
Standardized measure of discounted future net cash flows	<u>192,396</u>	<u>3,445</u>	<u>1,134</u>	<u>3,465</u>	<u>8,044</u>	<u>200,440</u>	<u>445</u>
At December 31, 2010							
Future cash inflows	755,189	22,246	1,029	11,403	34,678	789,867	1,992
Future production costs	(331,109)	(7,359)	(251)	(2,954)	(10,564)	(341,673)	(1,072)
Future development costs	(52,589)	(2,054)	(346)	(2,495)	(4,895)	(57,484)	(71)
Future income tax expenses	(128,856)	(6,898)		(1,475)	(8,373)	(137,229)	(333)
Undiscounted future net cash flows	242,635	5,935	432	4,479	10,846	253,481	516
10 percent midyear annual discount for timing of estimated cash flows	(118,361)	(2,222)	(202)	(1,417)	(3,841)	(122,202)	(192)
Standardized measure of discounted future net cash flows	<u>124,274</u>	<u>3,713</u>	<u>230</u>	<u>3,062</u>	<u>7,005</u>	<u>131,279</u>	<u>324</u>
At December 31, 2009							
Future cash inflows	528,703	19,815	640	7,319	27,774	556,477	2,737

Future production costs	(252,843)	(5,833)	(170)	(2,010)	(8,013)	(260,856)	(1,337)
Future development costs	(45,444)	(2,262)	(217)	(2,248)	(4,727)	(50,171)	(121)
Future income tax expenses	<u>(80,342)</u>	<u>(6,354)</u>		<u>(290)</u>	<u>(6,644)</u>	<u>(86,986)</u>	<u>(501)</u>
Undiscounted future net cash flows	150,074	5,366	253	2,771	8,390	158,464	778
10 percent midyear annual discount for timing of estimated cash flows	<u>(73,740)</u>	<u>(2,165)</u>	<u>(96)</u>	<u>(742)</u>	<u>(3,003)</u>	<u>(76,743)</u>	<u>(310)</u>
Standardized measure of discounted future net cash flows	<u><u>76,334</u></u>	<u><u>3,201</u></u>	<u><u>157</u></u>	<u><u>2,029</u></u>	<u><u>5,387</u></u>	<u><u>81,721</u></u>	<u><u>468</u></u>

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production
(unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(v) Standardized measure of discounted future net cash flows relating to proved oil and gas quantities and changes therein (Continued)

	Consolidated Entities						Equity Method Investees
	Brazil	South America	North America	Africa	International	Total	Total
Balance at January 1, 2011	124,274	3,714	230	3,062	7,006	131,280	324
Sales and transfers of oil and gas, net of production cost	(45,745)	(1,076)	(82)	(2,037)	(3,195)	(48,940)	(70)
Development cost incurred	13,943	437	98		535	14,478	44
Net change due to purchases and sales of minerals in place							
Net change due to extensions, discoveries and improved less related costs	4,892	212	307	377	896	5,788	
Revisions of previous quantity estimates	19,483	44	1,071	570	1,685	21,168	(32)
Net change in prices, transfer prices and in production costs	114,630	661	49	2,735	3,445	118,075	133
Changes in estimated future development costs	(15,984)	(441)	(517)	(120)	(1,078)	(17,062)	(30)
Accretion of discount	12,427	476	23	294	793	13,220	54
Net change in income taxes	(35,524)	(48)		(982)	(1,030)	(36,554)	(6)
Timing		(70)	26		(44)	(44)	
Other - unspecified		(463)	(72)	(434)	(969)	(969)	28
Balance at December 31, 2011	<u>192,396</u>	<u>3,446</u>	<u>1,133</u>	<u>3,465</u>	<u>8,044</u>	<u>200,440</u>	<u>445</u>

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production
(unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(v) Standardized measure of discounted future net cash flows relating to proved oil and gas quantities and changes therein (Continued)

	Consolidated Entities						Equity Method Investees
	Brazil	South America	North America	Africa	International	Total	Total
Balance at January 1, 2010	76,334	3,203	157	2,028	5,388	81,722	467
Sales and transfers of oil and gas, net of production cost	(31,864)	(1,139)	(34)	(1,532)	(2,705)	(34,569)	(58)
Development cost incurred	13,692	428	812	193	1,433	15,125	18
Net change due to purchases and sales of minerals in place		(58)	(1)		(59)	(59)	
Net change due to extensions, discoveries and improved recovery less related costs	16,972	218		1,061	1,279	18,251	
Revisions of previous quantity estimates	7,594	251	88	686	1,025	8,619	(58)
Net change in prices, transfer prices and in production costs	72,628	646	(716)	1,353	1,283	73,911	(228)
Changes in estimated future development costs	(13,580)	(271)		(334)	(605)	(14,185)	30
Accretion of discount	7,633	497	23	193	713	8,346	77
Net change in income taxes	(25,135)	(205)		(1,040)	(1,245)	(26,380)	89
Timing		180	(110)		70	70	
Other - unspecified		(36)	11	454	429	429	(13)
Balance at December 31, 2010	<u>124,274</u>	<u>3,714</u>	<u>230</u>	<u>3,062</u>	<u>7,006</u>	<u>131,280</u>	<u>324</u>

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Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Supplementary Information on Oil and Gas Exploration and Production
(unaudited)

(Expressed in millions of US Dollars, except when specifically indicated)

(v) Standardized measure of discounted future net cash flows relating to proved oil and gas quantities and changes therein (Continued)

	Consolidated Entities						Equity Method Investees
	Brazil	South America	North America	Africa	International	Total	Total
Balance at January 1, 2009	37,466	3,172	287	1,095	4,554	42,020	240
Sales and transfers of oil and gas, net of production cost	(22,529)	(1,062)	(32)	(581)	(1,675)	(24,204)	(84)
Development cost incurred	13,513	319	571	307	1,197	14,710	74
Net change due to purchases and sales of minerals in place							
Net change due to extensions, discoveries and improved recovery less related costs	1,643	110		1,242	1,352	2,995	(45)
Revisions of previous quantity estimates	23,490	(308)	(366)	32	(642)	22,848	(80)
Net change in prices, transfer prices and in production costs	44,892	(1,087)	(476)	1,717	154	45,046	513
Changes in estimated future development costs	(5,971)	(293)	65	(1,267)	(1,495)	(7,466)	(79)
Accretion of discount	3,747	407	16	114	537	4,284	40
Net change in income taxes	(19,917)	1,652		(238)	1,414	(18,503)	(144)
Timing		318	38		356	356	
Other - unspecified		(25)	54	(393)	(364)	(364)	32
Balance at December 31, 2009	76,334	3,203	157	2,028	5,388	81,722	467

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Petrobras International Finance Company
(A wholly-owned subsidiary of **Petróleo Brasileiro S.A. - Petrobras**)

Consolidated financial statements
Years ended December 31, 2011, 2010 and 2009
together with Report of Independent Registered
Public Accounting Firm

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Petrobras International Finance Company
(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)

Consolidated Financial Statements

Years ended December 31, 2011, 2010 and 2009

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Report of Independent Registered Public Accounting Firm

The
Executive Board and Stockholder of
Petrobras International Finance Company

We have audited the accompanying consolidated statements of financial position of Petrobras International Finance Company and subsidiaries (“the Company”) as of December 31, 2011 and 2010, and the related consolidated statements of operations, comprehensive income, changes in stockholder’s deficit and cash flows for each of the years in the three-year period ended December 31, 2011. We also have audited the Company’s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements, and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statements presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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A Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petrobras International Finance Company and subsidiaries as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Also in our opinion, Petrobras International Finance Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by COSO.

/s/ KPMG Auditores Independentes

KPMG Auditores Independentes

Rio de Janeiro, Brazil
March 30, 2012

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Petrobras International Finance Company

(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)

Consolidated Statement of Financial Position

Years ended December 31, 2011 and 2010

(In thousand of U.S. dollars, except for loss per share amounts)

	As of December 31,	
	2011	2010
Assets		
Current assets		
Cash and cash equivalents (Note 3)	4,087,376	1,197,441
Marketable securities (Note 4)	558,083	2,429,400
Accounts receivable		
Related parties (Note 5)	1,840	231
Other	841	215
Restricted deposits for guarantees (Note 6) and other	320,348	197,589
	<u>4,968,488</u>	<u>3,824,876</u>
Discontinued operations (Note 13)	1,547,129	7,975,320
	<u>6,515,617</u>	<u>11,800,196</u>
Non-current assets		
Long-term		
Marketable securities (Note 4)	4,610,795	2,728,991
Notes receivable - related parties (Note 5)	12,387,217	3,067,332
Restricted deposits for guarantees (Note 6)	-	134,198
	<u>16,998,012</u>	<u>5,930,521</u>
Discontinued operations (Note 13)	-	194,440
	<u>16,998,012</u>	<u>6,124,961</u>
Property and equipment – Discontinued operations (Note 13)	-	837
	<u>-</u>	<u>837</u>
Total assets	<u>23,513,629</u>	<u>17,925,994</u>

See the accompanying notes to the consolidated financial statements.

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Petrobras International Finance Company

(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)

Consolidated Statement of Financial Position

Years ended December 31, 2011 and 2010

(In thousand of U.S. dollars, except for loss per share amounts)

	As of December 31,	
	2011	2010
Liabilities and stockholder's deficit		
Current liabilities		
Accounts payable		
Related parties (Note 5)	5,776	31,170
Other	2,669	303
Short-term financing (Note 7)	1,972,120	1,973,287
Current portion of long-term debt (Note 7)	691,234	384,173
Accrued interests (Note 7)	381,910	274,022
Other current liabilities	94,597	1,757
	<u>3,148,306</u>	<u>2,664,712</u>
Discontinued operations (Note 13)	162,667	3,226,496
	<u>3,310,973</u>	<u>5,891,208</u>
Non-current liabilities		
Long-term debt (Note 7)	<u>20,929,987</u>	<u>12,377,262</u>
Stockholder's deficit		
Shares authorized and issued		
Common stock - 300,050,000 shares at par value US\$ 1 (Note 8)	300,050	300,050
Accumulated deficit	(1,003,926)	(627,878)
Other comprehensive income		
Loss on cash flow hedge	(23,455)	(14,648)
	<u>(727,331)</u>	<u>(342,476)</u>
Total liabilities and stockholder's deficit	<u>23,513,629</u>	<u>17,925,994</u>

See the accompanying notes to the consolidated financial statements.

[TABLE OF CONTENTS](#)**Petrobras International Finance Company****(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)**

Consolidated Statement of Operations and Statement of Comprehensive Income

Years ended December 31, 2011, 2010 and 2009

(In thousand of U.S. dollars, except for loss per share amounts)

	Year ended December 31,		
	2011	2010	2009
Financial income			
Related parties (Note 5)	478,888	79,033	78,138
Derivatives on financial transactions (Note 10)	2,635	1,590	760
Financial investments	135,755	212,847	295,827
Other	15,595	18,061	16,693
	<u>632,873</u>	<u>311,531</u>	<u>391,418</u>
Financial expense			
Related parties (Note 5)	-	(107,466)	(936,821)
Financing	(1,149,138)	(892,168)	(657,408)
Expenses on extinguishment of debt	(19,313)	-	-
Other	(33,391)	(33,282)	(93,617)
	<u>(1,201,842)</u>	<u>(1,032,916)</u>	<u>(1,687,846)</u>
Exchange variation, net	<u>91,766</u>	<u>(2,395)</u>	<u>222</u>
Financial results, net	<u>(477,203)</u>	<u>(723,780)</u>	<u>(1,296,206)</u>
General and administrative expenses (Note 5)	<u>(17,804)</u>	<u>(13,135)</u>	<u>(10,786)</u>
Other operating (expenses)/income, net (Note 5)	<u>(96)</u>	<u>(18)</u>	<u>58</u>
Loss from continuing operations	<u>(495,103)</u>	<u>(736,933)</u>	<u>(1,306,934)</u>
Net income from discontinuing operations (Note 13)	<u>119,055</u>	<u>476,288</u>	<u>1,794,451</u>
Net (loss)/income for the year	<u>(376,048)</u>	<u>(260,645)</u>	<u>487,517</u>
Other comprehensive income			
(Loss)/income on cash flow hedge	(8,807)	(1,982)	26,426
Total comprehensive income for the year	<u>(384,855)</u>	<u>(262,627)</u>	<u>513,943</u>
Net (loss)/income per shares for the year – Basic and diluted in US\$	<u>(1.25)</u>	<u>(0.87)</u>	<u>1.62</u>
Net income from discontinuing operations per share for the year – Basic and diluted in US\$	<u>0.39</u>	<u>1.58</u>	<u>5.98</u>

See the accompanying notes to the consolidated financial statements.

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Petrobras International Finance Company

(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)

Consolidated Statement of Changes in Stockholder's Deficit

Years ended December 31, 2011, 2010 and 2009

(In thousand of U.S. dollars)

	<u>Capital</u>	<u>Other comprehensive income</u>	<u>Accumulated deficit</u>	<u>Stockholder's deficit</u>
At January 1, 2010	300,050	(12,666)	(367,233)	(79,849)
Loss for the year	-	-	(260,645)	(260,645)
Loss on cash flow hedge	-	(1,982)	-	(1,982)
At December 31, 2010	300,050	(14,648)	(627,878)	(342,476)
Loss for the year	-	-	(376,048)	(376,048)
Loss on cash flow hedge	-	(8,807)	-	(8,807)
At December 31, 2011	300,050	(23,455)	(1,003,926)	(727,331)

See the accompanying notes to the consolidated financial statements.

[TABLE OF CONTENTS](#)**Petrobras International Finance Company****(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)**

Consolidated Statement of Cash Flows

Years ended December 31, 2011, 2010 and 2009

(In thousand of U.S. dollars)

	Year ended December 31,		
	2011	2010	2009
Cash flows from operating activities			
Loss for the year from continuing operations	(495,103)	(736,933)	(1,306,934)
Net income for the year from discontinuing operations	119,055	476,288	1,794,451
Adjustments for:			
Amortization of prepaid expenses and debt amortization	24,055	24,783	75,599
Decrease/(increase) in assets			
Accounts receivable	(2,235)	476	(686)
Interest – note receivable	(180,839)	102,610	(23,059)
Other assets	25,593	(52,063)	(27,600)
Increase/(decrease) in liabilities			
Accounts payable	(23,028)	(84)	8,745
Accrued interests	107,888	55,833	72,454
Other liabilities	(2,547)	(633)	(171,138)
Cash from operating activities – continuing operations	(427,161)	(129,723)	421,832
Cash from operating activities – discontinuing operations	3,268,435	10,375,077	8,974,842
Net cash provided by operating activities	2,841,274	10,245,354	9,396,674
Cash flows from investing activities			
Cash rendered in connection with transfer of subsidiaries to PIB BV	(332,672)	-	-
Marketable securities, net	(10,488)	(121,255)	(438,612)
Notes receivable - related parties, net	(8,514,616)	(1,534,676)	(47,155)
Cash from investing activities – continuing operations	(8,857,776)	(1,655,931)	(485,767)
Cash from investing activities – discontinuing operations	(404)	303	6
Net cash used in investing activities	(8,858,180)	(1,655,628)	(485,761)
Cash flows from financing activities			
Short-term debt, net issuance and repayments	(1,166)	(9,533)	1,482,820
Proceeds from issuance of long-term debt	9,488,475	-	12,350,000
Principal payments of long-term debt	(580,468)	(480,608)	(4,697,769)
Short-term loans-related parties, net	-	(7,855,323)	(17,380,479)
Net cash provided by (used in) financing activities	8,906,841	(8,345,464)	(8,245,428)
Increase in cash and cash equivalents	2,889,935	244,262	665,485
Cash and cash equivalents at the beginning of the year	1,197,441	953,179	287,694
Cash and cash equivalents at the end of the year	4,087,376	1,197,441	953,179

See the accompanying notes to the consolidated financial statements.

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Petrobras International Finance Company

(A wholly-owned subsidiary of Petróleo Brasileiro S.A. - Petrobras)

Consolidated Statement of Cash Flows (Continued)

Years ended December 31, 2011, 2010 and 2009

(In thousand of U.S. dollars)

	Year ended December 31,		
	2011	2010	2009
Supplemental disclosures of cash flow information			
Cash paid and received during the year			
Cash paid during the year for interest	1,052,304	931,685	1,658,154
Cash received during the year for interest	315,606	209,872	101,678
Non cash operating and investing activities			
Sale of subsidiaries PEL and PSPL through inter-company loans – PIB BV	113,671	-	-
Sale of inventory through inter-company loans – PIB BV	510,610	-	-

See the accompanying notes to the consolidated financial statements.

Petrobras International Finance Company

(A wholly-owned subsidiary of **Petróleo Brasileiro S.A. - Petrobras**)

Years ended December 31, 2011, 2010 and 2009

Notes to the Consolidated Financial Statements

(In thousand of U.S. dollars, except as otherwise indicated)

1. The Company and its Operations

Petrobras International Finance Company (“PifCo” or the “Company”) was incorporated in the Cayman Islands on September 24, 1997 and operates as a wholly-owned subsidiary of **Petróleo Brasileiro S.A. (“Petrobras”)**.

PifCo has in the past engaged in both commercial operations and in financing activities for Petrobras. The Company ceased such commercial operations altogether to become a finance subsidiary functioning as a vehicle for Petrobras to raise funds for Petrobras through the issuance of debt securities in the international capital markets, among other means.

As part of its transition into a finance subsidiary of Petrobras, on August 12, 2011, PifCo transferred to Petrobras International Braspetro B.V. – PIB B.V., also a subsidiary of Petrobras, two of its wholly-owned subsidiaries, Petrobras Europe Limited (“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 Africa and Petrobras Singapore Private Limited (“PSPL”), a company incorporated in Singapore to trade crude oil and oil products in connection with trading activities in Asia.

PifCo engages in borrowings in international capital markets unconditionally guaranteed by Petrobras as part of Petrobras’ strategy to expand its operations and to facilitate its access to international capital markets. Petrobras’ support of PifCo’s debt obligations has been and will continue to be made through unconditional and irrevocable guarantees of payment.

The Company discontinued United States Generally Accepted Accounting Principles (U.S. GAAP) and adopted International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), as the basis to prepare and disclose its financial statements for Securities and Exchange Commission (SEC) filings purposes for the year ending December 31, 2011, as previously mentioned in its Form 20-F of 2010, filed on May 25, 2011.

The accounting information originally disclosed in U.S. GAAP was adjusted and is being presented in accordance with international accounting standards. There was no effect on the Stockholder’s deficit.

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Petrobras International Finance Company

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

1. The Company and its Operations (Continued)

The following is a brief description of each of the Company's wholly-owned subsidiaries:

Bear Insurance Company Limited

Bear Insurance Company Limited ("BEAR") based in Bermuda, contracts insurance for PifCo, PSPL and Petrobras' subsidiaries.

Petrobras Finance Limited

Petrobras Finance Limited ("PFL"), based in the Cayman Islands, in connection with the Company's structured finance export prepayment program, whereby PFL had purchased fuel oil from Petrobras and had sold this product in the international market, including sales to designated customers, in order to generate receivables to cover the sale of future receivables debt. Certain sales were through subsidiaries of Petrobras. PFL ceased its commercial operations in August, 2011 and prepaid its financing program supported by future sales of fuel oil on September 1st, 2011.

2. Basis of presentation of the financial statements

The consolidated financial statements are being presented in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

On February 28, 2012 the Company's management authorized the completion and approved the financial statements related to the year ended in December 31, 2011.

a) Functional currency and foreign currency transactions

The functional currency of PifCo, as well as all its subsidiaries, is the US dollar.

All monetary assets and liabilities denominated in a currency other than the U.S. dollar are remeasured into the U.S. dollar using the current exchange rates. The effect of variations in the foreign currencies is recorded in the statement of operations as financial expense or income.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

2. Basis of presentation of the financial statements (Continued)

b) Accounting estimates

In the preparation of the financial statements it is necessary to use estimates for certain assets, liabilities and other transactions. These estimates include: provisions for contingent liabilities, market value of financial instruments and income tax. Although Management uses assumptions and judgments that are reviewed periodically, the actual results may differ from these estimates.

c) Discontinued operations

The commercial operations and the subsidiaries PEL and PSPL sold to PIB B.V. were accounted as discontinued operation in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Board (IASB). The balance and results of commercial operations and PEL and PSPL, and their respective cash flows have been removed from the company's results of continuing operations and cash flows for all years presented in this report (see Note 13).

d) Recognition of revenue, costs, income and expenses

Sales revenues comprise the value of the consideration received or receivable for the sale of products and services, net of returns, discounts and charges on sales. Sales revenues of crude oil and oil products and other related products are recognized when title passes to the customer, because at that time the amount can be reasonably measured, collectibility is reasonably assured, persuasive evidence of an arrangement exists, the seller's price to the buyer is fixed or determinable and the significant risks and rewards of ownership have been transferred. Title is transferred to the customers when delivery occurs pursuant to the terms of the sales contracts. Revenue from services rendered is recognized in the statement of operations when amounts and the stage of completion of the transaction can be measured reliably. The costs and expenses are recognized on the accrual basis.

The net financial results include mainly income from interest on financial investments and intercompany loans, expenses with interest on financing, gains and losses from valuation to fair value according to the classification of the security, as well as net exchange and monetary variations.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

2. Basis of presentation of the financial statements (Continued)

(e) Financial assets and liabilities

(e.1) Cash and cash equivalents

Cash and cash equivalents are represented by short-term investments of high liquidity which are readily convertible into cash, with maturity within three months or less of the date of acquisition.

(e.2) Marketable securities

Marketable securities have been classified by the Company as available for sale, held to maturity or trading based upon intended strategies with respect to such securities.

Trading securities are marked-to-market through current period earnings, available for sale securities are marked-to-market through other comprehensive income, and held to maturity securities are recorded at amortized cost.

There were no material transfers between categories.

(e.3) Accounts receivable

Accounts receivable are initially measured at fair value of the amount of the consideration to be received and, subsequently, at amortized cost using the effective interest rate method, reduced by impairment losses through use of an allowance for recoverable accounts.

(e.4) Loans and financing

They are initially recognized at fair value less transaction costs incurred and, after initial recognition, are stated at amortized cost using the effective interest rate method.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

2. Basis of presentation of the financial statements (Continued)

(e) Financial assets and liabilities (Continued)

(e.5) Derivatives financial instruments and hedge operations

All the derivative instruments are recognized in the statement of financial position, both in assets and in liabilities, and are stated at fair value, which is determined based on market prices, when available.

In the operations with derivatives, for hedge against variations in the currency, the gains and losses resulting from the changes in fair value are recorded in the financial results.

For cash flow hedges, gains and losses resulting from the changes in their fair value are recorded in other comprehensive income valuation adjustments in stockholder's equity, until their settlement.

(f) Restricted deposit and guarantees

Restricted deposit and guarantees represent amounts placed in escrow as required by contractual commitments of the Company. Deposits are made in cash and recorded at funded amount.

(g) New standards and interpretations

During 2011 the following standards issued by IASB became effective but did not have an impact on the Company's financial statements:

- Revised version of IAS 24 - Related Party Disclosures
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments
- Amendment of IFRIC 14 - Prepayments of a Minimum Funding Requirement
- Amendment of IAS 32 - Classification of Rights Issues

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

2. Basis of presentation of the financial statements (Continued)

(g) New standards and interpretations (Continued)

The standards issued by IASB that have not yet become effective and whose adoption had not been anticipated by the Company as of December 31, 2011 are as follows:

Standards	Description	Term (*)
Amendments to IFRS 7	Disclosures: <i>Transfers of Financial Assets</i>	July 1 st , 2011
IFRS 10	" <i>Consolidated Financial Statements</i> ". Establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities.	January 1 st , 2013
IFRS 12	" <i>Disclosure of Interests in Other Entities</i> ". Consolidates all the requirements of disclosures than an entity should carry out when participating in one or more other entities.	January 1 st , 2013
IFRS 13	" <i>Fair Value Measurement</i> ". Establishes fair value, explains how to calculate it and determines what must be disclosed about this form of calculation.	January 1 st , 2013
Amendments to IAS 1	" <i>Presentation of Items of Other Comprehensive Income</i> ". Includes in Other Comprehensive Income items that may be reclassified as profit or loss in the income statement for the year.	January 1 st , 2013
Amendments to IFRS 7	" <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ". Establishes disclosure requirements for the compensation agreements of financial assets and liabilities.	January 1 st , 2013
Amendments to IFRS 9	" <i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i> ". Postpones the date of enforcement of IFRS 9 to 2015. Also eliminates the requirement for republication of comparative information and requires additional disclosures about the transition to IFRS 9.	January 1 st , 2015

(*) Standards effective as from the years beginning on or after these dates.

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(In thousand of U.S. dollars, except as otherwise indicated)

3. Cash and Cash Equivalents

	As of December 31,	
	2011	2010
Cash and banks	947	14,723
Time deposits and short-term investment funds	<u>4,086,429</u>	<u>1,182,718</u>
	<u><u>4,087,376</u></u>	<u><u>1,197,441</u></u>

4. Marketable Securities

	Security (ii)	Maturity	Interest rate	As of December 31,	
				2011 (i)	2010 (i)
Available for Sale (iii)	Clep	2014	8%	939,234	878,649
Available for Sale (iii)		2013	7.4 % + IGPM ^(*)	438,296	448,417
	Petrobras				
Held to Maturity	Charter	2024	3.76%	760,042	849,548
Held to Maturity	NTN	2013-2014	1.47%/1.56%	649,092	639,604
Held to Maturity	NTS	2013-2014	1.47%/1.56%	617,119	608,820
Held to Maturity	TAG	2013	1.37%	509,808	504,132
Held to Maturity	Mexilhão	2013	1.99%	480,732	472,321
Held to Maturity	Gasene	2022	3.02%	399,156	389,387
Held to Maturity	PDET	2019	2.24%	375,399	367,513
				<u>5,168,878</u>	<u>5,158,391</u>
Less: Current balances				<u>(558,083)</u>	<u>(2,429,400)</u>
				<u><u>4,610,795</u></u>	<u><u>2,728,991</u></u>

(*) IGPM – General Market Price Index, calculated by the Brazilian Institute of Economics (IBRE) of the Getulio Vargas Foundation (FGV)

(i) Balances include interest and principal.

(ii) Securities held by the fund are respective to the special purposes companies, established to support Petrobras infrastructure projects.

(iii) Changes in fair value related to the securities classified as available for sale are diminimus and were included in the Statement of operations as financial income.

Marketable securities are comprised of amounts the Company has invested in the exclusive portfolio of an investment fund, operated exclusively for PifCo, which holds certain Petrobras group securities among its other investments.

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5. Related Parties

	Petróleo Brasileiro S.A. – Petrobras	Petrobras International Braspetro B.V. – PIB BV and its subsidiaries	Petrobras Netherlands B.V. - PNBV	Braspetro Oil Services Company - BRASOIL	Downstream Participações S.A. and its subsidiaries	Other	2011	2010	
Current assets									
Marketable securities (i)	-	-	-	-	-	558,083	558,083	2,429,400	
Accounts receivable	-	1,840	-	-	1,477	-	1,840	231	
Discontinued operations (ii)	1,482,746	62,514	-	-	-	-	1,546,737	5,964,546	
Non-current assets									
Marketable securities (i)	-	-	-	-	-	4,610,795	4,610,795	2,728,991	
Notes receivable	-	6,938,945	3,050,792	1,662,833	-	734,647	12,387,217	3,067,332	
Discontinued operations (ii)	-	-	-	-	-	-	-	194,440	
Current liabilities									
Accounts payable	5,575	201	-	-	-	-	5,776	31,170	
Discontinued operations (ii)	85,656	74,566	-	-	7	-	160,229	2,138,987	
Statements of operations									2009
Financial income	-	310,539	115,571	52,772	-	6	478,888	79,033	78,138
Financial expense	-	-	-	-	-	-	-	(107,466)	(936,821)
General and administrative expenses	(13,144)	-	-	-	-	-	(13,144)	(10,898)	(9,318)
Other operating income, net	-	4,072	-	-	-	-	4,072	2,233	-
Discontinued operations (ii)	(2,189,763)	2,046,531	2,608	-	606,923	21,760	488,059	3,495,881	5,004,861

(i) See Note (4)

(ii) See Note (13)

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6. Restricted Deposits and Guarantees

PifCo has restricted deposits with financial institutions that are required as a result of contractual obligations in financing arrangements. The amount classified in non-current assets is comprised of deposit in accordance with the Deposit, Pledge and Indemnity Agreement of April 29, 2005, PifCo has guaranteed the debt of SFE – Sociedade Fluminense de Energia Ltda., a subsidiary of Petrobras. In accordance with the terms of this guarantee, PifCo has deposited US\$ 95,948 in an escrow account, such amount to be used to satisfy Sociedade Fluminense de Energia debts in the event of default.

7. Financing

	As of December 31,			
	Current		Non-current	
	2011	2010	2011	2010
Financial institutions (i)	2,671,600	2,062,882	402,192	1,092,658
Senior notes	-	246,106	-	-
Sale of right to future receivables (ii)	-	69,868	-	191,023
Global notes	371,120	250,197	20,082,661	10,672,726
Japanese yen bonds	2,544	2,429	445,134	420,855
	<u>3,045,264</u>	<u>2,631,482</u>	<u>20,929,987</u>	<u>12,377,262</u>
Financing	1,972,120	1,973,287	20,929,987	12,377,262
Current portion of long-term debt	691,234	384,173	-	-
Accrued interest	381,910	274,022	-	-
	<u>3,045,264</u>	<u>2,631,482</u>	<u>20,929,987</u>	<u>12,377,262</u>

- (i) The Company's financings in U.S. dollars are derived mainly from commercial banks and include trade lines of credit. The interest rates ranging from 1.57% to 3.38% at December 31, 2011. The weighted average borrowing for short-term debt at December 31, 2011 and December 31, 2010 was 2.90% and 2.73%, respectively.

At December 31, 2011 and December 31, 2010, the Company had fully utilized all of available lines of credit.

- (ii) On September 1, 2011, PFL prepaid the Senior Trust Certificates and Junior Trust Certificates (Series A and B) due 2013 and 2015, respectively. In order to facilitate this advance payment, Petrobras prepaid to PFL an amount of US\$ 232,671 related to the export prepayment program. On prepayment the Senior Trust Certificates PFL paid premium in the total amount of US\$ 19,313.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

7. Financing (Continued)

Long-term financing - Additional information

a) Long-term debt interest rates

	Date of issuance	Maturity	Interest rate	Amount	Payment period	
					Interest	Principal
Japanese yen bonds	September, 2006	2016	2.150%	445,134	semiannually	bullet
				445,134		
Global notes						
Global notes	July, 2003	2013	9.125%	375,216	semiannually	bullet
Global notes	September, 2004	2014	7.750%	395,927	semiannually	bullet
Global notes	October, 2006	2016	6.125%	864,884	semiannually	bullet
Global notes	January, 2011	2016	3.875%	2,488,606	semiannually	bullet
Global notes	December, 2003	2018	8.375%	571,808	semiannually	bullet
Global notes	November, 2007	2018	5.875%	1,738,022	semiannually annually	bullet bullet
Global notes	December, 2011	2018	4.875%	1,604,400		
Global notes	February, 2009	2019	7.875%	2,789,799	semiannually	bullet
Global notes	October, 2009	2020	5.750%	2,473,450	semiannually	bullet
Global notes	January, 2011	2021	5.375%	2,488,575	semiannually	bullet
Global notes	December, 2011	2022	5.875%	770,994	annually	bullet
Global notes	December, 2011	2026	6.250%	1,061,374	annually	bullet
Global notes	October, 2009	2040	6.875%	1,470,184	semiannually	bullet
Global notes	January, 2011	2041	6.750%	989,422	semiannually	bullet
				20,082,661		
Financial institutions	from 2005	up to 2017	from 1.57% to 3.38%	402,192	various	various
				402,192		
				20,929,987		

b) Long-term debt maturity dates:

	As of December 31, 2011
2013	476,646
2014	507,339
2015	49,773
2016	3,868,385
2017	69,816
Thereafter	15,958,028
	20,929,987

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

7. Financing (Continued)

Long-term financing - Additional information (Continued)

c) Issuance of long-term debt:

The long-term funding carried out in the year is shown in the following table:

<u>Date</u>	<u>Amount</u>	<u>Maturity</u>	<u>Description</u>
January/2011	6,000,000	2016, 2021 and 2041	Global Notes in the amount of US\$ 2,500,000, US\$ 2,500,000 and US\$ 1,000,000, with coupons of 3.875%, 5.375% and 6.750% p.a., respectively, payable semiannually beginning on July 27, 2011.
December/2011	2,471,734	2018 and 2022	Global Notes in the amount of €1,25 billion (US\$ 1,670,091) and € 600 million (US\$801,643), with coupons of 4.875% and 5.875% p.a., respectively, payable annually beginning on March 7, 2012.
December/2011	1,074,491	2026	Global Notes in the amount of £ 700 million (US\$ 1,074,491), with coupons of 6.250% p.a., respectively, payable annually beginning on December 14, 2012.

Transaction Costs

The unamortized balance of deferred costs was US\$ 234,816 and US\$ 171,561 as of December 31, 2011 and 2010, respectively.

The unamortized balance of deferred income was US\$ 71,323 and US\$ 79,215 as of December 31, 2011 and 2010, respectively.

8. Stockholder's Deficit

Capital

The subscribed capital at December 31, 2011 and 2010 is US\$ 300,050 divided into 300,050,000 shares of US\$ 1.00 each.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

9. Commitments and Contingencies

Loan agreements

The Company's has no outstanding position at December 31, 2011 in irrevocable letters of credit and had US\$ 93,572 at December 31, 2010.

Additionally, the Company has no standby committed facilities available at December 31, 2011 and had US\$ 720,682 at December 31, 2010.

10. Derivative Instruments, Hedging and Risk Management Activities

The Company is exposed to a series of market risks resulting from its operations. These risks mainly involve the fact that eventual variations in exchange rates or in interest rates may negatively affect the value of the company's financial assets and liabilities or future cash flows and profits. PifCo follows the risk management of Petrobras, its parent company, the management of which is conducted by its officers, in accordance with Petrobras' corporate risk management policy.

10.1 Exchange risk

Exchange risk is one of the financial risks that the company is exposed to and it originates from changes in the levels or volatility of the exchange rate.

The fluctuations in the exchange rates may have a negative impact on PifCo's financial situation and operating results.

a) Exchange risk management

The risk management is performed for the net exposure. The exchange risk management strategy may involve the use of derivative instruments to minimize the exchange exposure of certain liabilities of the Company.

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Years ended December 31, 2011, 2010 and 2009

Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

10. Derivative Instruments, Hedging and Risk Management Activities (Continued)

10.1 Exchange risk (Continued)

b) Main transactions and future commitments hedged by derivative operations

In September 2006, the Company contracted a hedge known as a cross currency swap for coverage of the bonds issued in Yen in order to fix the Company's costs in this operation in dollars. In a cross currency swap there is an exchange of interest rates in different currencies. The exchange rate of the Yen to the U.S. dollar was fixed at the beginning of the transaction and has remained fixed since that time. The Company does not intend to settle these contracts before the end of their terms. For this relationship between the derivative and the loan, the Company adopted hedge accounting.

The Company has elected to designate its cross currency swap as cash flow hedge. Both at the inception of a hedge and on an ongoing basis, a cash flow hedge must be expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. Derivative instruments designated as cash flow hedges are reflected as either assets or liabilities on the Company's statement of financial position. Change in fair value, to the extent the hedge is effective, is reported in Other Comprehensive Income until the cash flows of the hedged item occurs.

Effectiveness tests are conducted quarterly in order to measure how the changes in the fair value or the cash flow of the hedge items are being absorbed by the hedge mechanisms. The effectiveness calculation indicated that the cross currency swap is highly effective in offsetting the variation in the cash flow of the bonds issued in Yen.

The hedged item is a ¥ 35 billion 10 year issued bond, with a semi-annual coupon of 2.15% per annum. The hedging instrument is a series of cross currency swaps, whose notional amounts, underlings and maturities match the terms of the Japanese yen bond; in which U.S. dollars are paid and Japanese yen are received.

The fair value of the derivative is calculated based on usual market practices, using the closing values of the interest rates in Yens and U.S. dollars for all the period of the agreements.

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(In thousand of U.S. dollars, except as otherwise indicated)

10. Derivative Instruments, Hedging and Risk Management Activities

(Continued)

10.1 Exchange risk (Continued)

c) Results obtained with respect to the proposed objectives and parameters used for risk management

The hedge known as a cross currency swap complies with IAS 39 Financial Instruments: Recognition and Measurement and IFRS 32 - Financial Instruments: Presentation.

The Company decided to qualify its cash flow cross currency swap. Upon the contracting of hedge and during its term, it is expected that the cash flow hedge will be highly effective in offsetting the cash flows attributable to the hedge risk during the term of the operation. The changes in the fair value, in the measure of the effectiveness of the hedge, tested quarterly, are stated in other comprehensive retained earnings, until the cash flow of the hedged item is realized.

d) Notional and fair value of derivative instruments

The table below summarizes the information on the derivative contracts in force.

Foreign currency derivatives

	Notional value in thousand	Fair value **			Maturity	Value at Risk *
		2011	2010	2009		
Swaps						
Cross Currency Swap						
Asset position		<u>129,642</u>	<u>115,487</u>	<u>64,819</u>	2016	5,369
Average receipt rate (JPY)=2.15%	35,000,000	493,495	470,097	408,111		
Liability position						
Average payment rate (USD)=5.69%	297,619	(363,853)	(354,610)	(343,292)		

* Value at Risk: Represents the maximum expected loss in one day with 95% reliability under normal market conditions.

** Negative fair values were recorded in liabilities and positive fair values in assets.

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(In thousand of U.S. dollars, except as otherwise indicated)

10. Derivative Instruments, Hedging and Risk Management Activities

(Continued)

10.1 Exchange risk (Continued)

e) Gain and losses in the year

<u>Foreign currency derivatives</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gain recorded in results	2,636	1,590	760
Loss recorded in Stockholder's Deficit	(23,455)	(14,648)	(12,666)

f) Value and type of margins given in guarantee

The existing foreign currency derivative operations do not require a guarantee margin deposit.

g) Sensitivity analysis

The following sensitivity analysis was conducted for the fair value of the foreign currency derivatives. The probable scenario is the fair value at December 31, 2011. The possible and remote scenarios consider the deterioration in the risk variable of 25% and 50%, respectively, with respect to the same date.

<u>Foreign currency derivatives</u>	<u>Risk</u>	<u>December 31,</u>		
		<u>Probable scenario at 2011</u>	<u>Possible scenario (Δ 25%)</u>	<u>Remote scenario (Δ 50%)</u>
Cross Currency Swap	Depreciation of the Yen against the U.S. dollar	129,642	30,943	(34,856)

10.2 Interest rate risk

The interest rate risk that the Company is exposed to is due to its long-term debt and, to a lesser degree, its short-term debt. If the market interest rates rise, the Company's financial expenses will increase, which may cause a negative impact on the operating results and financial position.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

10. Derivative Instruments, Hedging and Risk Management Activities (Continued)

10.2 Interest rate risk (Continued)

Interest rate risk management

PifCo considers that the exposure to interest rate fluctuations will not have a material impact, and so, preferably, the Company does not use derivative financial instruments to manage this type of risk.

10.3 Credit risk

PifCo is exposed to the credit risk of financial institutions, resulting from its cash management. These risks consist of the possibility of non-receipt of amounts invested, deposited or guaranteed by financial institutions.

Credit risk management objectives and strategies

PifCo follows the credit risk management of Petrobras, its parent company. The management of the risk in Petrobras is part of the management of the financial risks, which is performed by the Company's officers, following a corporate risk management policy.

The credit risk management policy is part of the global risk management policy of the Petrobras System and aims at reconciling the need for minimizing exposure to credit risk and maximizing the result of financial operations, through an efficient process of analysis, concession and management of the credits.

10.4 Liquidity risk

PifCo uses its funds mainly for payment of debt. Historically, the conditions are met with funds generated internally, short and long-term debts. PifCo finances the working capital, assuming short term debts, normally related to the flow of its operations.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

10. Derivative Instruments, Hedging and Risk Management Activities (Continued)

10.4 Liquidity risk (Continued)

Nominal flow of principal and interest on financing

The table below presents the maturities of the short, medium and long-term financing as of December 31, 2011 and 2010:

Maturity	As of December 31, 2011
2012	3,843,682
2013	1,719,601
2014	1,717,209
2015	1,225,046
2016	5,047,826
2017	1,080,474
Thereafter	22,145,758
Balance at December 31, 2011	36,779,596
Balance at December 31, 2010	23,005,182

11. Fair value of financial assets and liabilities

Fair values are determined based on market prices quotation, when available, or, in the absence thereof, the present value of expected cash flows. Fair values of cash and cash equivalents, accounts receivables, short-term debt, short-term portion of long-term debt and accounts payables approximate their carrying values. The fair values of other long-term assets and liabilities closely approximate their carrying values.

At December 31, 2011 and 2010, the Company's long-term debt, was US\$ 20,929,987 and US\$ 12,377,262 respectively and had estimated fair values of approximately US\$ 23,245,400 and US\$ 14,076,200, respectively.

The fair value hierarchy for our financial assets and liability accounted for at fair value on a recurring basis at December 31, 2011, was:

	Level 1	Level 2	December 31, 2011
Assets			
Marketable securities	5,168,878	-	5,168,878
Foreign exchange derivatives	-	129,642	129,642
Total assets	5,168,878	129,642	5,298,520

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(In thousand of U.S. dollars, except as otherwise indicated)

12. Insurance

In accordance to its activities, PifCo has insurance coverage for cargo and third party liability. At December 31, 2010 both coverages were in place. At December 31, 2011 only the third party liability was in place. Petrobras is responsible for contracting and maintaining PifCo insurances.

The assumptions of risk adopted, given their nature, are not part of the scope of an audit of financial statements and, accordingly, they were not examined by our independent auditors.

13. Discontinued operations

On August 12, 2011, PifCo transferred its subsidiaries Petrobras Europe Limited – PEL and Petrobras Singapore Private Limited – PSPL to Petrobras International Braspetro B.V. - PIB BV, also a subsidiary of Petrobras. These subsidiaries were sold for book value of US\$ 6,196 and US\$ 107,475, respectively, through intercompany loans. In addition, currently, PifCo ceased its commercial operations. PifCo entered into these series of transactions as part of a corporate restructuring in order PifCo becomes a finance subsidiary functioning as a vehicle for Petrobras to raise capital for Petrobras' operations outside of Brazil through the issuance of debt securities in the international capital markets, among other means.

The commercial operations and the subsidiaries PEL and PSPL were accounted for as a discontinued operation whereby the results of operations and cash flows were removed from the company's results from continuing operations for all years presented. The statement of financial position, the statements of operations and the cash flows for all years presented have been restated to reflect discontinued operations for disposal of these components.

As a result of the discontinued operations, PifCo reported a net income of US\$ 119,055, US\$ 476,288, and US\$ 1,794,451 as of December 31, 2011 and 2010 and 2009, respectively.

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Notes to the Consolidated Financial Statements (Continued)

(In thousand of U.S. dollars, except as otherwise indicated)

13. Discontinued Operations (Continued)**b) Statement of operations**

The statements of operations related to discontinued operations are presented as following:

	Year ended December 31,		
	2011	2010	2009
Sales of crude oil, oil products and services			
Related parties (Note 5)	10,581,769	17,414,978	15,728,847
Other	11,673,798	17,340,534	13,118,442
	<u>22,255,567</u>	<u>34,755,512</u>	<u>28,847,289</u>
Cost of sales			
Related parties (Note 5)	(10,062,063)	(14,227,465)	(11,899,415)
Other	(11,750,410)	(19,997,899)	(15,923,166)
	<u>(21,812,473)</u>	<u>(34,225,364)</u>	<u>(27,822,581)</u>
Gross profit	<u>443,094</u>	<u>530,148</u>	<u>1,024,708</u>
Income (expenses)			
Selling, general and administrative expenses			
Related parties (Note 5)	(63,413)	(178,264)	(187,997)
Other	(167,125)	(290,352)	(219,079)
Other operating expenses, net	<u>(2,768)</u>	<u>(48,042)</u>	<u>(27,175)</u>
	<u>(233,306)</u>	<u>(516,658)</u>	<u>(434,251)</u>
Income (expenses) before financial results and interests	<u>209,788</u>	<u>13,490</u>	<u>590,457</u>
Financial income			
Related parties (Note 5)	27,774	484,961	1,336,872
Derivatives on sales			
Related parties (Note 5)	10,132	6,109	54,398
Other	23,683	140,801	212,923
Financial investments	278	379	269
Other	3,213	175	1,590
	<u>65,080</u>	<u>632,425</u>	<u>1,606,052</u>
Financial expense			
Related parties (Note 5)	(41)	-	(7)
Derivatives on sales			
Related parties (Note 5)	(6,099)	(4,438)	(27,837)
Other	(148,499)	(163,753)	(373,899)
Other	(1,086)	(984)	(493)
	<u>(155,725)</u>	<u>(169,175)</u>	<u>(402,236)</u>
Exchange variation, net	<u>(88)</u>	<u>(452)</u>	<u>178</u>
Financial results, net	<u>(90,733)</u>	<u>462,798</u>	<u>1,203,994</u>
Net income for the year from discontinued operations	<u>119,055</u>	<u>476,288</u>	<u>1,794,451</u>

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(In thousand of U.S. dollars, except as otherwise indicated)

13. Discontinued Operations (Continued)

c) Cash flows

The summary of the statements of cash flows related to discontinued operations are presented as following:

	Year ended December 31,		
	2011	2010	2009
Cash flows from operating activities	3,268,435	10,375,077	8,974,842
Cash flows from investing activities	(404)	303	6
Net cash provided from discontinuing operations	3,268,031	10,375,380	8,974,848

14. Subsequent Events

Financing

Global Notes

On February 06, 2012, PifCo issued an amount of US\$ 7,000,000 in a multi-tranche Global Notes in the international capital market as follows:

- (i) US\$ 1,250,000, due on February 06, 2015. The Global Notes bear interest at the rate of 2.875% per year, payable semiannually beginning on August 06, 2012;
- (ii) US\$ 1,750,000, due on February 06, 2017. The Global Notes bear interest at the rate of 3.500% per year, payable semiannually beginning on August 06, 2012;
- (iii) US\$ 2,750,000, due on January 27, 2021. The Global Notes bear interest at the rate of 5.375% per year, payable semiannually beginning on July 27, 2012. The Global Notes was consolidated with original notes issued on January 27, 2011. The total amount outstanding due 2021 is US\$ 5,250,000;
- (iv) US\$ 1,250,000, due on January 27, 2041. The Global Notes bear interest at the rate of 6.750% per year, payable semiannually beginning on July 27, 2012. The Global Notes was consolidated with original notes issued on January 27, 2011. The total amount outstanding due 2041 is US\$ 2,250,000.

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Notes to the Consolidated Financial Statements (Continued)

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14. Subsequent Events (Continued)

These financings had an issue cost of approximately US\$ 21,625, discount of US\$ 16,430 (series due 2015 and 2017), premium of US\$ 255,077 (series due 2021 and 2041) and effective interest rates of 3.15%, 3.69%, 4.84% and 5.95% per annum, respectively. These Global Notes constitute general unsecured and unsubordinated obligations of PifCo and are unconditionally and irrevocably guaranteed by Petrobras.

* * *

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**Amended By-Laws of Petróleo Brasileiro S.A. – Petrobras
(Dated as of February 28, 2012)**

Chapter I

Nature, Headquarters and Object

Art. 1 – Petróleo Brasileiro S.A. – Petrobras is a joint stock company controlled by the Federal Government, of indeterminate duration, to be governed by the terms and conditions of the Joint Stock Corporation Law (Law No. 6,404 of December 15, 1976) and by these By-Laws.

Sole paragraph. The control of the Federal Government shall be exercised by means of ownership and possession of at least fifty percent plus one share of the Corporation's voting capital.

Art. 2 – Petrobras has its headquarters and legal venue in the city of Rio de Janeiro, State of Rio de Janeiro, and may establish, either in the country or abroad, branch-offices, agencies, sub-branches and offices.

Art. 3 – The Corporation has as its object the research, mining, refining, processing, trade and transport of oil from wells, shale and other rocks, its derivatives, natural gas and other fluid hydrocarbons, in addition to other energy related activities; it may promote the research, development, production, transport, distribution and marketing of all forms of energy, as well as other related activities or alike ones.

Paragraph 1 – Economic activities related to the corporate object shall be developed by the Corporation on a free competition basis with other companies according to market conditions, due consideration given to further principles and guidelines of Law No. 9,478 of August 6, 1997 and of Law No. 10,438 of April 26, 2002.

Paragraph 2 – Petrobras may, directly or through its subsidiaries, either associated or not with third parties, perform in the Country or away from the domestic territory, any of the activities within its corporate object.

Chapter II

Corporate Capital, Stock and Shareholders

Art. 4 – The corporate capital is of R\$205,379,728,979.46 (two hundred and five billion, three hundred seventy nine million, seven hundred twenty eight thousand, nine hundred seventy nine *reais* and forty six cents) divided into 13,044,496,930 (thirteen billion, forty four million, four hundred ninety six thousand and nine hundred and thirty) shares without nominal value, being 7,442,454,142 (seven billion, four hundred forty two million, four hundred fifty four thousand, one hundred and forty two) common shares and 5,602,042,788 (five billion, six hundred and two million, forty two thousand and seven hundred and eighty eight) preferred shares.

Paragraph 1 – Increases of the corporate capital by means of the issuance of common shares must be previously submitted to the deliberation of the General Meeting.

Paragraph 2 – By deliberation of the Board of Directors, the Corporation may acquire its own shares to keep them in the treasury, for cancelling or subsequent disposal, up to the amount of the balance of profits and available reserves, except the legal reserve, without decrease of the corporate capital, in compliance with the prevailing legislation.

Paragraph 3 – The corporate capital may be increased by means of the issuance of preferred shares, without following any proportion in respect of the common shares, in compliance with the legal limit of two-thirds of the corporate capital, as well as complying with the preemptive right of all the shareholders.

Art. 5 – The shares of the Corporation shall be common shares entitles to vote and preferred shares, the latter always without vote entitlement.

Paragraph 1 – Preferred shares shall not be convertible to common shares, or vice-versa.

Paragraph 2 – Preferred shares shall have priority in case of capital reimbursement and in the distribution of the 5% (five percent) minimum dividend, calculated on the part of the capital represented by such kind of shares, or 3% (three percent) of the net value of the shares, always with the greater prevailing, with a participation equal to the common shares in corporate capital increases deriving from the incorporation of the reserves and profits.

Paragraph 3 – Preferred shares shall participate non-cumulatively on equal conditions with the common shares on the distribution of dividends whenever the latter are greater than the minimum percentage as guaranteed to them in the preceding paragraph.

Art. 6 – Shares shall be paid-in in accordance with the rules established by the General Meeting or by the Board of Directors, depending upon the body that authorized the capital increase within the authorized limit. In the case of shareholder's default and irrespective of questioning, the Corporation may initiate the execution and determine the sale of the shares for that shareholder's account and risk.

Art. 7 – The shares of the Corporation, all of them book entry shares, shall be kept in the name of their holders, in a deposit account of a financial institution authorized by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários - CVM*) without the issuance of certificates.

Art. 8 – Shareholders shall be entitles in each fiscal year to dividends and/or–additional payment on shareholder's equity, which must not be less than 25% (twenty-five percent) of the net profit adjusted according to the Joint Stock Corporation Law, and divided pro-rata by the shares into which the capital of the Corporation is divided.

Art. 9 – Except for the deliberation by the General Meeting, the Corporation shall make the payment of the dividends and of the additional payment on shareholder's equity within a 60 (sixty)-day deadline as of the date they are announced and, in any case, within the corresponding fiscal year in compliance with the pertinent legal rules.

Sole paragraph. Upon deliberation by the Board of Directors, the Corporation may advance amounts to its shareholders as dividends or additional payment on shareholder's equity, and adjusted by the SELIC rate as of the date of the actual payment until the closing of the respective fiscal year in the manner foreseen in 204 of Law No. 6,404, of 1976.

Art. 10 – Dividends not claimed within 3 (three) years as of the date they were placed at the shareholders' disposal shall prescribe in behalf of the Corporation.

Art. 11 – The amounts of the dividends and interests, as compensation on shareholders' equity, due to the National Treasury and to the other shareholders, shall be subject to financial charges equivalent to the SELIC rate as of the closing of the fiscal year until the actual collection or payment, without detriment to the incidence of interests on arrears, when such collection does not take place on the date set by the General Meeting.

Art. 12 – In addition to the Federal Government in its capacity as controlling shareholder of the Corporation, individuals or legal entities, either Brazilians or foreigners, either residents or not in the country, may be shareholders.

Art. 13 – The shareholder may be represented at the General Meeting in the manner foreseen in Art. 126 of Law No. 6,404 of 1976, either presenting at that moment or by depositing the voucher issued by the depository financial institution together with the identity document or a power-of-attorney with special powers.

Paragraph 1 – The representation of the Federal Government at the General Meetings of the Corporation shall be in accordance with the specific federal legislation.

Paragraph 2 – At the Shareholders' General Meeting that deliberates about the election of members of the Board of Directors, the entitlement to vote of the shareholders who are holders of preferred shares is conditional upon compliance with the condition established in paragraph 6 of art. 141 of Law No. 6,404 of 1976, of proven uninterrupted ownership of the stock participation during 3 (three) months, at least, immediately before the holding of the Meeting.

Chapter III

Subsidiaries and Affiliates

Art. 14 – For the strict performance of the activities related to its corporate object, Petrobras may, according to the authority granted by Law No. 9,478 of 1997, set up subsidiaries as well as associate itself, either majoritarily and/or minoritarily, with other companies.

Art. 15 – In compliance with Law No. 9,478 of 1997, Petrobras and its subsidiaries may acquire shares or quotas of other companies, participate in specific purpose companies, as well as associate themselves with domestic or foreign companies, and constitute with them consortia, either as leader-company or not, with the purpose of expanding activities, combining technologies and enlarging investments applied in activities related with its object.

Art. 16 – The subsidiary and controlled corporations shall follow the deliberations of their respective management bodies, which shall be bound by the guidelines and the strategic planning adopted by the Board of Directors of Petrobras, as well as the regular corporate rules established by Petrobras by means of guidance of technical, administrative, accounting, financial and legal nature.

Sole paragraph. The relations with the subsidiary, affiliated and controlled companies shall be through the intermediary of a member of the Board of Executive Officers in accordance with the guidelines set up by the Board of Directors.

Chapter IV

Management of the Corporation

Section I

Board Members and Officers

Art. 17 – Petrobras shall be managed by a Board of Directors with deliberative functions, and a Board of Executive Officers.

Art. 18 – The Board of Directors shall comprise at least five and up to nine members elected by the Shareholders' General Meeting, which shall designate the Chairman of the Board of Directors from among them, all with a term of office that may not be longer than 1 (one) year, with re-election permitted.

Sole paragraph. In case the office of the Chairman of the Board of Directors becomes vacant, the substitute shall be elected at the first next regular meeting of the Board of Directors until the next General Meeting.

Art. 19 – In the election procedure of the members of the Board of Directors by the Shareholders' General Meeting, the following rules shall be complied with:

I – Minority shareholders are entitled to elect one of the members of the Board of Directors, if no greater number is assigned to them by the multiple vote procedure.

II – Shareholders of preferred shares holding jointly at least 10% (ten percent) of the corporate capital, with the exclusion of the controlling shareholders, are entitled to select and to remove 1 (one) member of the Board of Directors in a separate voting procedure at the General Meeting; the rule contained in paragraph 4 or art. 8 of Law No. 10,303 of October 31, 2001 is not applicable to the Corporation.

III – Whenever the election of the Board of Directors is cumulatively performed by the multiple vote procedure and the holders of common and preferred shares exercise the right to elect a member, the right shall be ensured to the Federal Government to elect the members of the Board of Directors in a number equal to the number of those selected by the other shareholders plus one, irrespectively of the number of members of the Board of Directors established in Art. 18 of these By-Laws.

IV – Employees have the right to indicate 1 (one) member of the Board of Directors on a separate voting, through their peers' direct vote in accordance with paragraph 1, article 2 of Law No. 12,353 of December 28, 2010.

Art. 20 – The Board of Executive Officers shall comprise a Chief Executive Officer, chosen from among the members of the Board of Directors, and seven Officers elected by the Board of Directors from among Brazilians residing in the country, with a term of office that may not be longer than three (3) years, with re-election permitted, and who may be removed at any moment.

Paragraph 1 – The choice and election of the Officers by the Board of Directors shall consider their professional qualification, notorious knowledge and specialization in the respective contact area in which these administrators will act, in accordance with the Basic Organization Plan.

Paragraph 2 – The members of the Board of Executive Officers shall perform their duties on a full-time basis schedule and with exclusive dedication to Petrobras; however, the concurrent exercise of administrative duties in subsidiaries, controlled and affiliated companies of the Corporation shall Be permitted at the discretion of the Board of Directors according to the Good Practices Code as per item VII of Art. 29 of these By-Laws.

Paragraph 3 – The Chief Executive Officer and the Officers shall be entitled annually to 30 (thirty) days vacation, to be granted by the Board of Directors; the payment in double of the compensation concerning the vacation period not enjoyed is prohibited.

Art. 21 – The installation on an administrative office of the Corporation must comply with the conditions established by articles 147 and 162 of Law No. 6,404 of 1976; likewise, nobody who has ancestors, descendents or collateral relatives in the Board of Directors, in the Board of Executive Officers or in the Audit Board (*Conselho Fiscal*) may be installed in an office.

Sole paragraph. In relation to the installation of an employee representative at the Board of Directors, a university level degree shall not be required, and an employee will not be unable to be elected for the vacancy, which is specifically referred to at Paragraph 2, art. 162 of Law No. 6,404, of 1976.

Art. 22 – Members of the Board of Directors and Officers shall be installed in their offices by signing installation deeds in the book of minutes of the Board of Directors and of the Board of Executive Officers, respectively.

Paragraph 1 – The installation deed must contain under penalty of nullity:

(i) the indication of at least one domicile where the administrator may receive service of process and summons in administrative and judicial procedures related to acts of his (her) performance, and which shall be deemed as served by means of the delivery at the domicile so indicated; the latter may only be altered by a written communication to the Corporation;

(ii) his (her) compliance with the contracts possibly signed by Petrobras with stock exchanges or over-the-counter market entities organized and accredited at the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários - CVM*) with the purpose of adopting corporate governance standards set up by such entities, accepting liability in respect of the fulfillment of such contracts and respective regulations or differentiated practices of the corporate governance, if such is the case; and

(iii) compliance with the arbitration clause set forth in article 58 of these By-Laws.

Paragraph 2 – The installation of a member of the Board of Directors who is a resident or domiciled abroad is conditional upon the appointment of a representative who resides in the country, with powers to receive service of process in proceedings against such member based on the corporate legislation, by means of a power of attorney with a validity term of at least 3 (three) years after the end of the term of office of the member.

Paragraph 3 – Prior to the installation and also upon departing from their office, the members of the Board of Directors and of the Board of Executive Officers shall submit a statement of assets to be filed in the Corporation.

Art. 23 – The members of the Board of Directors and of the Board of Executive Officers shall be liable, according to art. 158 of Law No. 6,404 of 1976, individually and solitarily, for the acts practiced and for the losses to the Corporation resulting therefrom. They are prohibited from participating in a deliberation concerning operations involving companies in which they take part with more than 10% (ten percent), or in which they held a management position in the period immediately prior to the installation in the Corporation.

Paragraph 1 – The Corporation shall ensure the defense in judicial and administrative proceedings in respect of its present and past managers, in addition to a permanent insurance contract in behalf of them to keep them harmless from liabilities due to the act deriving from the performance of the office or function covering the whole time period during which they performed their respective terms of office.

Paragraph 2 – The guarantee provided for in the preceding paragraph covers the Audit Board (*Conselho Fiscal*) members as well as all employees and agents who legally act upon delegation by the managers of the Corporation.

Art. 24 – A member of the Board of Directors who fails to attend 3 (three) consecutive meetings without a justified reason or license granted by the Board of Directors shall forfeit his office.

Art. 25 – In the event of a vacancy in the office of member of the Board of Executive Officers and shall perform so up to the next General Meeting, as provided in article 150 of Law No. 6,404 of 1976.

Paragraph 1 – The member of the Board of Directors or the member of the Board of Executive Officers elected in replacement shall complete the term of office of the member he (she) is replacing, and once this term has elapsed, he (she) shall remain in the office until the installation of his successor.

Paragraph 2 – If the Director representing the employees does not conclude his term of office, the following shall apply:

I – the second most voted candidate will take over the office, if the first half of the term has not been elapsed;

II – new elections shall be called, in case more than half of the term has been elapsed.

Paragraph 3 – In the case of item I of Paragraph 2, the alternate Director shall end the management term of the substituted Director.

Paragraph 4 – In the case of item II of Paragraph 2, the elected Director shall finish the whole management term set forth in Art. 18 of these By-Laws.

Art. 26 – The Company shall be represented in the Courts or outside them by its Board of Executive Officers, individually by its Chief Executive Officer, or by two Officers jointly, who may appoint proxies or representatives.

Art. 27 – The Chief Executive Officer and the Officers may not be absent from their office for more than 30 (thirty) days without being licensed or authorized by the Board of Directors.

Paragraph 1 – According to Item IV of Art. 38 it is incumbent upon the Chief Executive Officer to designate from among the Officers his possible substitute.

Paragraph 2 – In the event of absence or impediment of any Officer, his functions shall be taken over by a substitute chosen by him from among the other members of the Board of Executive Officers or one of his direct subordinates, the latter until maximally 30 (thirty) days.

Paragraph 3 – In case a subordinate is indicated, conditional upon approval by the Chief Executive Officer, the former shall take part in all routine activities of the Officer, including attendance at meetings of the Board of Directors, in order to deal with matters of the contact area of the respective Officer, without, however, exercising the voting right.

Section II

Board of Directors

Art. 28 – The Board of Directors is the highest-level guiding and directing body of Petrobras; it is incumbent upon it:

I – to set the overall direction of the business of the Corporation, defining its mission, its strategic goals and guidelines;

II – to approve the strategic plan as well as the pluri-annual and annual programs of expenditures and investments;

III – to fiscalize the Officers' management and to establish their assignments, examining at any moment whatsoever the books and documents of the Corporation;

IV – to evaluate performance results;

V – to approve every year the amount above which acts, contracts, or operations, although up to the competence of the Board of Executive Officers, particularly those provided for in items III, IV, V, VI, and VIII of Art. 33 of these By-Laws must be submitted to the approval of the Board of Directors;

VI – to deliberate about the issuance of debentures not convertible into shares and without real estate guarantee;

VII – to set up the overall policies of the Corporation, including those concerning the strategic, commercial, financial, investment, environmental and human resources management;

VIII – to approve the conveyance of the ownership of assets of the Corporation, including concession agreements and authorization regarding oil refining, natural gas processing, transport, import and export of oil, its derivatives and natural gas, with the possibility of limiting the value for performing such acts by the Board of Executive Officers;

IX – to deliberate about an Electoral Regulation chosen by the Board of Directors elected by the employees.

Sole paragraph – The establishment of the human resources politics about item VII shall not count on the participation of the Director representing the employees, if discussions and deliberations include matters referring to union's issues, compensation, benefits and advantages, including complementary welfare and assistance matters on which is identified a conflict of interests.

Art. 29 – It is incumbent exclusively upon the Board of Directors to deliberate about the following matters:

I – the Basic Organizational Plan and its amendments, as well as the assignment to the Officers, upon the Chief Executive Officer's proposal, of duties corresponding to the contract areas defined in the plan referred to;

II – authority to acquire shares issued by the Company to remain in treasury or cancelling, as well as subsequent disposal of such shares, in compliance with the legal, regulatory and statutory provisions;

III – approval of the Exchange of securities issued by the Corporation;

IV – election and removal of the members of the Board of Officers;

V – the setting up of subsidiaries, participations in controlled or affiliated companies, or the termination of such participation, as well as the acquisition of shares or quotas of other companies;

VI – to call a Shareholder's General Meeting in the cases provided for in the Law, and the publishing of the respective notice at least 15 (fifteen) days in advance;

VII – approval of a Code of Good Practices and of its in-house regulation, which must provide for the designation of the Rapporteur and the organization of Committees of the Board of Directors composed of some of its members with specific assignments regarding the analysis and recommendation in respect of certain matters;

VIII – approval of the Corporate Governance Guidelines of Petrobras;

IX – choice and removal of independent auditors, who will not be allowed to render consultancy services to the Corporation during the effectiveness of the contract;

X – the report of the management and the accounts of the Board of Executive Officers;

XI - The setting up of the Business Committee and approval of the assignments and operational rules of such Committee consistent with the Basic Operational Plan, and which must be publicized to the market in summary at the time the financial statements of the Corporation are published or when they are altered;

XII – matter which, in view of a legal provision or upon instruction by the General Meeting, are subject to its deliberation;

Sole paragraph - The Business Committee set forth in item XI shall submit to the Board of Executive Officers its opinion concerning the corporate matters involving more than one business area, as well as the importance and relevance of which require a broader debate.

Art. 30 – The Board of Directors may order inspections, audits or rendering of accounts of the Corporation, including the hiring of specialists, experts or external auditors, in order to inform more about the matters submitted to its deliberation.

Art. 31 – The Board of Directors shall meet with the attendance of the majority of its members, upon being called by its Chairman or by the majority of its members, in a regular meeting at least every 30 (thirty) days and in a special meeting whenever necessary.

Paragraph 1 – If required, the members of the Board of Directors may participate in a meeting by telephone, video-conference, or other communication means capable of ensuring and effective participation and the authenticity of the respective vote. In such event, the member of the Board of Directors shall be deemed as present at the meeting and his vote shall be deemed valid for all legal purposes and incorporated into the minutes of the meeting in point.

Paragraph 2 – The matters submitted to the appreciation of the Board of Directors must be accompanied by the decision of the Board of Executive Officers, by the statements of the technical area or of the competent Committee, plus a legal opinion whenever necessary for examining the matter.

Paragraph 3 – The Chairman of the Board of Directors, at his own initiative or at the request of any of its Members, may call Officers of the Corporation to attend the meetings and to render clarifications or information in respect of the subjects concerned.

Paragraph 4 – The deliberations of the Board of Directors shall be taken by the vote of the majority of the Members in attendance and shall be recorded in the pertinent minute book.

Paragraph 5 – In the case of a tie, the Chairman of the Board of Directors may cast the deciding vote.

Section III

Board of Executive Officers

Art. 32 – The management of the businesses of the Corporation is incumbent upon the Board of Executive Officers in compliance with the mission, goals, strategies and guidelines established by the Board of Directors.

Art. 33 – It is incumbent upon the Board of Executive Officers:

I – to work out and to submit to the approval of the Board of Directors:

- a)** the bases and guidelines for working out the strategic plan as well as of the annual programs and the pluri-annual plans;
- b)** the strategic plan as well as the respective pluri-annual plans and annual programs or expenditures and investments of the Corporation with the respective projects;
- c)** the cost and investment budgets of the Corporation;
- d)** the assessment of the result of the performance of the activities of the Company;

II – approve:

- a)** the technical-economic appraisal criteria for investment projects with the respective liability delegation plans for their execution and implementation;
- b)** the criteria for the economic use of producing areas and the minimum coefficient of oil and gas reserves in compliance with the specific legislation;
- c)** the price policy and the basic price structures of the products of the Corporation;
- d)** accounting plans, basic criteria for establishing results, the amortization and depreciation of invested capitals and changes in their accounting policies;
- e)** handbooks and rules in respect of accounting, finances, personnel management, the hiring and implementation of works and services, the supply and disposal of materials and equipment in respect of operation and others required to guide the functioning of the Corporation;
- f)** rules concerning the assignment of the use, the renting or leasing of real-estate owned by the Corporation;
- g)** the yearly insurance plan of the Corporation;
- h)** the basic structure of the books of the Corporation and their respective Organizational Rules as well as to set up, to transform or to extinguish operational or corresponding bodies, as well as temporary work bodies, agencies, branches, bureaus and offices, in the country and abroad;

i) plans providing for the admission, career, access, benefits and disciplinary regime of the employees of Petrobras;

j) the assignment of the staff of the bodies of the Corporation;

k) the designation of the incumbents of the High-Level Management of the Corporation;

l) the annual business plan;

m) the setting of consortia, joint ventures and specific purposes companies in the country and abroad;

III – to authorize the raising of funds, signing of loan agreements and financings in the country and abroad, including by way of the issuance of securities;

IV – to authorize the rendering of secured or fiduciary guarantees, in compliance with the pertinent legal and contractual provisions;

V – to authorize the acquisition, in accordance with the specific legislation, of real-estate goods, ships and maritime drilling and production units, as well as the encumbrance and the disposal of assets of the Corporation;

VI – to authorize the disposal or encumbrance of shares or quotas of companies in which the Corporation owns more than 10% (ten percent) of the corporate capital, as well as the assignment of rights in consortia or joint ventures in which the Corporation owns more than 10% (ten percent) of the investment; limits may be established for delegating the practice of such acts to the Chief Executive Officer or the Officers;

VII – to authorize the signing of conventions or contracts with the Federal Government, the States, the Federal District and the Municipalities, with the possibility of setting value limits for delegating the exercise of such acts to the Chief Executive Officer or to the Officers;

VIII – to authorize in the form of specific legislation the waiving of acts or extrajudicial transactions extinguishing lawsuits or pending issues, with the possibility of setting value limits for delegating the exercise of such acts to the Chief Executive Officer or to the Officers;

IX – to follow up and control the activities of the subsidiaries and companies in which Petrobras participates, or with which it is associated;

X – to deliberate about trademarks and patents, names and logos;

XI – to establish other Committees related to the Business Committee, with the approval of the respective operational rules and assignments consistent with the Basic Operational Plan.

Art. 34 – The Board of Executive Officers shall hold a regular meeting once a week with the majority of its membership, among whom the Chief Executive Officer or his deputy, and in a special meeting upon call by the Chief Executive Officer or of two-thirds of the Officers.

Sole paragraph. Matters submitted to the appreciation of the Board of Executive Officers must be accompanied by the statements of the technical area of the Business Committee, plus a legal opinion whenever necessary for examining the matter.

Art. 35 – In addition to the matters of the original competence of a full-board deliberation as provided in Art. 33 of these By-Laws, the Board of Executive Officers may deliberate about managerial acts of business of the individual responsibility of each of the Officers within the contact areas established by the Board of Directors in the Basic Organizational Plan. Furthermore, it is incumbent upon the Officers:

I – to give instructions to the representatives of the Corporation at the General Meeting of its subsidiaries, controlled and affiliated companies in accordance with the guidelines established by the Board of Directors;

II – to hire and fire employees and to formalize assignments to managerial duties and functions approved by the Board of Executive Officers;

III – to designate corporate employees for missions abroad;

IV – to sign deeds, contracts and agreements as well as to manage the funds of the Corporation, always jointly and with another Officer.

Art. 36 – The deliberations of the Board of Executive Officers shall be taken by the vote of the majority of the members present and recorded in the respective minutes book.

Sole paragraph. In the case of draw, the Chairman will have the deciding vote.

Art. 37 – The Board of Executive Officers shall forward to the Board of Directors copies of the minutes of their meetings, and shall render the information in order to assess the performance of the Company's activities.

Section IV

The Chief Executive Officer

Art. 38 – The heading and coordination of the activities of the Board of Executive Directors is incumbent upon the Chief Executive Officer, namely:

- I** – to call and to chair the meetings of the Board of Executive Officers;
- II** – to propose to the Board of Directors the distribution among the Officers of the contact areas defined in the Basic Organizational Plan;
- III** – to propose to the Board of Directors the names of the Officers of the Corporation;
- IV** – to designate from among the Officers his occasional substitute in his absences and impediments;
- V** – to follow up and to supervise, by means of coordinating the activities of the Officers, the activities of all of the bodies of the Corporation;
- VI** – to designate the representatives of the Corporation at the General Meetings of its subsidiaries, controlled and affiliated companies in accordance with the guidelines set forth by the Board of Directors;
- VII** – to render information to the State Minister to whom the Corporation is related to and to the control bodies of the Federal Government, as well as of the Federal Court of Auditors (*Tribunal de Contas da União*) and National Congress.

Chapter V

The General Meeting

Art. 39 – The Regular General Meeting shall be held yearly within the time-frame provided for in art. 132 of Law No. 6,404 of 1976, at the place, date and hour established in advance by the Board of Directors, in order to deliberate about matter of its competence, particularly:

- I** – to audit the accounts of the managers, to examine, discuss and vote the financial statements;
- II** – to deliberate about the destination of the net profit of the fiscal year and the distribution of dividends;
- III** – to elect the members of the Board of Directors and the Audit Board (*Conselho Fiscal*).

Art. 40 – The Special General Meeting, in addition to the cases established by law, shall meet upon call of the Board of Directors to deliberate about the matters of interest to the Corporation, particularly:

I – the amendment of the By-Laws;

II – the increase of the limit of the authorized capital;

III – the increase of the capital;

IV – the evaluation of the goods with which the shareholder may contribute to the increase of the corporation capital;

VI – the issuance of debentures convertible into shares or their sale when in the treasury;

VII – the incorporation of the Company into another company, its distribution, transformation, split, merger;

VIII – the participation of the Corporation in a group of companies;

IX – the disposal of the control of corporate capital of subsidiaries of the Company;

X – the removal of the members of the Board of Directors;

XI – the disposal of debentures convertible into shares that belong to the Corporation and are issued by its subsidiaries;

XII – the establishment of the compensation of the managers;

XIII – the cancelling of the registry as a publicly held Company;

XIV – the choice of a special company from among a three-company list presented by the Board of Directors to prepare the Appraisal Report of its shares according to their respective economic value, to be utilized in cases of the canceling of the registry as publicly held Company and deviation from the standard rule of corporate governance defined by stock exchanges or an organized over-the-counter market entity accredited at the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários – CVM*), with the purpose of complying with the rules established in the pertinent regulation of practices differing from corporate governance as issued by such entities, and in accordance with the contracts possibly signed by Petrobras with such entities;

XV – waiver of the right to subscribe shares or debentures convertible into shares of subsidiaries, controlled or affiliated companies.

Paragraph 1 – The deliberation of the subject set forth in item XIV of this article shall be taken by an absolute majority of the votes of the outstanding common shares; blank votes are not to be computed.

Paragraph 2 – In the event of a public offering formulated by the controlling shareholder, the latter must cover the costs of the Appraisal Report.

Art. 41 – The General Meeting shall establish the overall or the individual amount of the compensation of the managers every year as well as the limits of their participation in the profits in compliance with the rules of the specific legislation.

Art. 42 – The General Meeting shall be chaired by the Chief Executive Officer of the Corporation or the substitute he may designate and, in the absence of both, by a shareholder chosen by the majority vote of those present.

Sole paragraph. The Chairman of the General Meeting shall choose the Secretary of the meeting from among the shareholders present.

Chapter VI

Audit Board

Art. 43 – The Audit Board, of a permanent status, comprises up to five members and their respective deputies elected by the Regular General Meeting, all of whom residing in the country, in compliance with the requirements and impediments set forth in the Joint Stock Corporation Law, either shareholders or not, one of whom shall be elected by the holders of minority common shares and another by the holders of the preferred shares in a separate voting procedure.

Paragraph 1 – From among the members of the Audit Board, one of them shall be nominated by the Finance Minister as representative of the National Treasury.

Paragraph 2 – In the event of a vacancy, resignation, impediment or unjustified absence at two consecutive meetings, such member of the Audit Board shall be replaced until the end of the term of office by the respective substitute.

Paragraph 3 – The members of the Audit Board shall be installed in their offices by signing the installation deed in the book of minutes and opinions of the Audit Board, which shall mention:

(i) compliance with the contracts possibly signed by Petrobras with a stock exchange or an organized over-the-counter market entity accredited at the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários – CVM*) with the purpose of adopting corporate governance standards set forth by those entities and taking full responsibility of such contracts and the applicable regulations of differentiated practices of corporate governance, if such is the case, and

(ii) compliance with the arbitration clause set forth in Art. 58 of these By-Laws.

Art. 44 – The term of office of the members of the Audit Board is one year with the re-election permitted.

Art. 45 – The compensation of the members of the Audit Board, in addition to the compulsory reimbursement of transport and permanence expenditures necessary to perform the function, shall be set by the General Meeting electing them and in compliance with the limit established in Law No. 9,292 of 1996.

Art. 46 – It is incumbent upon the Audit Board, without detriment of other assignments that are vested in it due to legal provision or instruction of the General Meeting;

I – to fiscalize, by any of the its members, the acts of the managers and to verify the implementation of their legal and statutory duties;

II – to render opinion about the Annual Report of the Management, with the inclusion in that opinion of such supplementary information that it may deem required or useful for the General Meeting to deliberate upon;

III – to render opinion about the proposals of the managers to be submitted to the General Meeting concerning amendment of the corporate capital, issuance of debentures or subscription bonds, investment or capital budget plans, distribution of dividends, transformation, incorporation, merger or split of the Corporation;

IV – to denounce by any of its members to the management bodies their mistakes, frauds or offenses that may discover, suggesting measures useful to the Corporation and, in case the former fails to take the necessary measures to protect the interests of the Corporation, to denounce this to the General Meeting;

V – to call the Regular General Meeting, of the managers delay for more than one month calling it, and to call the Special General Meeting whenever serious or urgent reasons occur, with the inclusion on the agenda of the subjects they may deem necessary;

VI – to analyze, at least quarterly, the interim balance-sheet and further financial statements periodically prepared by the Board of Executive Officers;

VII – to examine the financial statements of the fiscal year and opine about them;

VIII – to perform such assignments during liquidation.

Sole paragraph. The members of the Audit Board shall participate compulsorily in the meetings of the Board of Directors in which matter referring to items II, III, and VI of this article are going to be considered.

Chapter VII

Employees of the Corporation

Art. 47 – The employees of Petrobras are subject to the labor legislation and to the in-house regulations of the Corporation in compliance with the legal rules applicable to employees of mixed-capital corporations.

Art. 48 – The admission of employees by the Petrobras and its subsidiaries and controlled will follow the selection process, in terms approved by the Board.

Art. 49 – Roles of Senior Management and the powers and responsibilities of the respective owners are defined in the Basic Plan of Organization of the Company.

Paragraph 1 – The duties referred to in the heading of this article may, exceptionally and at the discretion of the Board of Executive Officers, be assigned to technicians or experts alien to the permanent staff of the Corporation.

Paragraph 2 – The managerial duties that shall constitute the organizational structure of the Corporation at all other levels shall be vested with the powers and responsibilities of the holders as defined in the rules of the respective bodies.

Art. 50 – Without detriment to the requirements foreseen in the law the assignment of employees of Petrobras and of its subsidiaries or controlled companies shall depend upon authorization, in each particular case, of the Board of Executive Officers, and shall be made whenever possible, with reimbursement of the cost involved.

Art. 51 – The Corporation shall separate a portion of the yearly results for distribution among its employees, in compliance with the criteria adopted by the Board of Directors and in compliance with the prevailing legislation.

Chapter VIII

General Dispositions

Art. 52 – The activities of Petrobras shall comply with the Basic Organizational Plan approved by the Board of Directors and shall cover the general structure and define the nature and the assignments of each body, the reporting, coordination and control relationships required for its operation in accordance with these By-Laws.

Art. 53 – The fiscal year shall coincide with the calendar year ending on December 31st of each year, on which date the property balance-sheet and further financial statements to comply with the legal provisions shall be established.

Sole paragraph. The Company may establish half-yearly balance sheets for the payment of dividends or additional payment on shareholders' equity upon deliberation of the Board of Directors.

Art. 54 – Financial changes equivalent to the SELIC rate shall incide, from the transfer data throughout the date of the capitalization, on funds transferred by the Federal Government or deposited by minority shareholders for purposes of the capital increase of the Corporation.

Art. 55 – From the net profit shown in its Annual Balance-Sheet, Petrobras shall assign a minimum of 0.5% (five-tenth percent) of the paid-in corporate capital in order to constitute a special reserve to cover the cost of the technological research and development programs of the Corporation.

Sole paragraph. The accrued balance of the reserve provided for in this article must not exceed 5% (five percent) of the paid-in corporate capital.

Art. 56 – After the distribution of the minimum divided foreseen in article VIII of these By-Laws has been determinate, the General Meeting may, in compliance with the Corporation Law and the specific federal rules, assign percentages or bonuses to the members of the Board of Executive Officers of the Corporation as profit sharing.

Art. 57 – The Board of Executive Officers may authorize the practice of reasonable free acts on behalf of the employees or of the community in which the company participates, including the donation of goods no longer usable, in the light of its social responsibilities as provided for in paragraph 4 154 of Law No. 6,404, of 1976.

Art. 58 – Disputes or controversies involving the Corporation, its shareholders, managers and members of the Audit Board shall be resolved according to the rules of the Market Arbitration Chamber, with the purpose of applying the provisions contained in Law No. 6,404 of 1976, in these By-Laws, in the rules issued by the National Monetary Council, by the Central Bank of Brazil and by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários - CVM*) as well as in all further rules applicable to the operation of the capital market in general, in addition to those contained in the contracts occasionally signed by Petrobras with the stock exchange or an organized over-the-counter market entity accredited at the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários - CVM*), with the purpose of the adoption of corporate governance standards established by these entities and of the respective rules on differentiated practices of corporate governance, if such is the case.

Sole paragraph. The deliberations of the Federal Government through voting in the General Meeting, aimed at guiding the business of the Corporation, as per article 238 of Law No. 6,404 of 1976, shall be deemed as forms of exercising undisposable rights and shall not be subject to the arbitral procedure mentioned in the heading of this article.

Art. 59 – Contractual agreements signed by Petrobras for acquiring goods and services shall be preceded by a simplified bidding procedure as defined in the regulation approved by Decree No. 2,745 of August 24, 1998.

Art. 60 – With the purpose of drawing up its proposals to participate in biddings preceding the assignments dealt with in Law No. 9,478 of 1997, Petrobras may sign pre-contractual agreements by sending out invitation letters, ensuring prices and commitments concerning the supply of goods and services.

Sole paragraph. The pre-contractual agreements shall contain a plain-right resolution clause to be applicable without penalty or indemnity of any kind in case another bidder is announced as the winner, and shall be submitted subsequently to the appreciation of the external control and fiscalization bodies.

Art. 61 – The Federal Government as controlling shareholder of the Corporation, the members of the Board of Directors, of the Audit Board and of the Board of Executive Officers shall:

I – Abstain from negotiating securities in the following time periods:

a) in the period of one month prior to the closing of the fiscal year until the publication of the announcement placing at the disposal of the shareholders the financial statements of the Corporation or their publication, prevailing whichever occurs first;

b) in the period between the decision taken by the competent corporate body to increase or to reduce the corporate capital, to distribute dividends or share bonuses or to issue other securities, and the publication of the respective notices or ads.

II – Communicate to the Corporation and to the stock exchange or organized over-the-counter market entity accredited at the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários - CVM) their periodic security negotiation plans, if they have them, as well as the subsequent alteration or non-implementation of such plans. The communication must inform at least whether the plan is a programmed investment or a de-investment plan, the periodicity and the programmed quantities.

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

AND

THE BANK OF NEW YORK MELLON

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

Amended and Restated Deposit Agreement

(Common Shares)

Dated as of January 3, 2012

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AMENDED AND RESTATED DEPOSIT AGREEMENT
(Common Shares)

AMENDED AND RESTATED DEPOSIT AGREEMENT (Common Shares) dated as of January 3, 2012 among PETRÓLEO BRASILEIRO S.A. - PETROBRAS, a company incorporated under the laws of the Federative Republic of Brazil (herein called the Company), THE BANK OF NEW YORK MELLON, a New York banking corporation (herein called the Depository), and all Owners and Holders from time to time of American Depository Shares issued hereunder.

W I T N E S S E T H:

WHEREAS, the Company and JPMorgan Chase Bank, N.A. entered into an amended and restated deposit agreement relating to common shares of the Company, dated as of January 2, 2007 and subsequently amended that agreement as of June 22, 2007 and September 16, 2010 (that agreement, as so amended, the "Old Deposit Agreement"), for the purposes stated in the Old Deposit Agreement, for the creation of American depository shares representing the Shares so deposited and for the execution and delivery of American depository receipts ("Old Receipts") evidencing the American depository shares;

WHEREAS, the Company has removed JP Morgan Chase Bank, N.A. as depository under the Old Deposit Agreement pursuant to Section 13 of the Old Deposit Agreement and has appointed the Depository as successor depository under the Old Deposit Agreement, and the Depository has accepted that appointment;

WHEREAS, the Company and the Depository now wish to amend and restate the Old Deposit Agreement pursuant to paragraph (16) of the form of ADR incorporated by reference into the Old Deposit Agreement in the form of this Amended and Restated Deposit Agreement; and

WHEREAS, the Company desires to provide, as hereinafter set forth in this Amended and Restated Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Company from time to time with the Depository or with the Custodian (as hereinafter defined) as agent of the Depository for the purposes set forth in this Amended and Restated Deposit Agreement, for the creation of American Depository Shares representing the Shares so deposited and for the execution and delivery of American Depository Receipts evidencing the American Depository Shares; and

WHEREAS, the American Depository Receipts are to be substantially in the form of Exhibit A annexed hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Amended and Restated Deposit Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby amend and restate the Old Deposit Agreement and the Old Receipts in their entirety as follows:

ARTICLE 1. DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

SECTION 1.01 American Depositary Shares.

The term “American Depositary Shares” shall mean the securities created under this Deposit Agreement representing rights with respect to the Deposited Securities. American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to this Deposit Agreement shall be the prospectus required under the Securities Act of 1933 for sales of both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that refer specifically to Receipts, all the provisions of this Deposit Agreement shall apply to both certificated and uncertificated American Depositary Shares. Each American Depositary Share shall represent the number of Shares specified in Exhibit A to this Deposit Agreement, until there shall occur a distribution upon Deposited Securities covered by Section 4.03 or a change in Deposited Securities covered by Section 4.08 with respect to which additional American Depositary Shares are not delivered, and thereafter American Depositary Shares shall represent the amount of Shares or Deposited Securities specified in such Sections.

SECTION 1.02 Central Bank.

The term “Central Bank” shall mean the Banco Central do Brasil or any successor governmental agency in Brazil.

SECTION 1.03 Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.04 Company.

The term “Company” shall mean Petróleo Brasileiro S.A. - PETROBRAS, a company incorporated under the laws of the Federative Republic of Brazil, and its successors.

SECTION 1.05 Custodian.

The term “Custodian” shall mean the principal São Paulo office of Itaú Unibanco S.A., as agent of the Depositary for the purposes of this Deposit Agreement, or any other firm or corporation which may hereafter be appointed by the Depositary pursuant to the terms of Section 5.05, as substitute custodian hereunder.

SECTION 1.06 CVM.

The term “CVM” shall mean the Comissão de Valores Mobiliários, the Brazilian National Securities Commission, or any successor governmental agency in Brazil.

SECTION 1.07 Deliver; Surrender.

(a) The term “deliver”, or its noun form, when used with respect to Shares or other Deposited Securities, shall mean (i) book-entry transfer of those Shares or other Deposited Securities to an account maintained by an institution authorized under applicable law to effect transfers of such securities designated by the person entitled to that delivery or (ii) physical transfer of certificates evidencing those Shares or other Deposited Securities registered in the name of, or duly endorsed or accompanied by proper instruments of transfer to, the person entitled to that delivery.

(b) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (i) book-entry transfer of American Depositary Shares to an account at DTC designated by the person entitled to such delivery, evidencing American Depositary Shares registered in the name requested by that person, (ii) registration of American Depositary Shares not evidenced by a Receipt on the books of the Depositary in the name requested by the person entitled to such delivery and mailing to that person of a statement confirming that registration or (iii) if requested by the person entitled to such delivery, delivery at the Corporate Trust Office of the Depositary to the person entitled to such delivery of one or more Receipts.

(c) The term “surrender”, when used with respect to American Depositary Shares, shall mean (i) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depositary, (ii) delivery to the Depositary at its Corporate Trust Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (iii) surrender to the Depositary at its Corporate Trust Office of one or more Receipts evidencing American Depositary Shares.

SECTION 1.08 Deposit Agreement.

The term “Deposit Agreement” shall mean this Amended and Restated Deposit Agreement, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.09 Depository; Corporate Trust Office.

The term “Depository” shall mean The Bank of New York Mellon, a New York banking corporation, and any successor as depository hereunder. The term “Corporate Trust Office”, when used with respect to the Depository, shall mean the office of the Depository which at the date of this Deposit Agreement is 101 Barclay Street, New York, New York 10286.

SECTION 1.10 Deposited Securities.

The term “Deposited Securities” as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement, including without limitation Shares that have not been successfully delivered upon surrender of American Depositary Shares, and any and all other securities, property and cash received by the Depository or the Custodian in respect thereof and at such time held under this Deposit Agreement, subject as to cash to the provisions of Section 4.05.

SECTION 1.11 Dollars.

The term “Dollars” shall mean United States dollars.

SECTION 1.12 DTC.

The term “DTC” shall mean The Depository Trust Company or its successor.

SECTION 1.13 Foreign Registrar.

The term “Foreign Registrar” shall mean the entity that presently carries out the duties of registrar for the Shares or any successor as registrar for the Shares and any other agent of the Company for the transfer and registration of Shares including, without limitation, any securities depository for the Shares.

SECTION 1.14 Holder.

The term “Holder” shall mean any person holding a Receipt or a security entitlement or other interest in American Depositary Shares, whether for its own account or for the account of another person, but that is not the Owner of that Receipt or those American Depositary Shares.

SECTION 1.15 Owner.

The term “Owner” shall mean the person in whose name American Depositary Shares are registered on the books of the Depository maintained for such purpose.

SECTION 1.16 Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued hereunder evidencing certificated American Depositary Shares, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.17 Registrar.

The term “Registrar” shall mean any bank or trust company having an office in the Borough of Manhattan, The City of New York, that is appointed by the Depositary to register American Depositary Shares and transfers of American Depositary Shares as herein provided.

SECTION 1.18 Restricted Securities.

The term “Restricted Securities” shall mean Shares, or American Depositary Shares representing Shares, that are acquired directly or indirectly from the Company or its affiliates (as defined in Rule 144 under the Securities Act of 1933) in a transaction or chain of transactions not involving any public offering, or that are subject to resale limitations under Regulation D under the Securities Act of 1933 or both, or which are held by an officer, director (or persons performing similar functions) or other affiliate of the Company, or that would require registration under the Securities Act of 1933 in connection with the offer and sale thereof in the United States, or that are subject to other restrictions on sale or deposit under the laws of the United States or Brazil, or under a shareholder agreement or the articles of association or similar document of the Company.

SECTION 1.19 Securities Act of 1933.

The term “Securities Act of 1933” shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.20 Shares.

The term “Shares” shall mean common shares of the Company that are validly issued and outstanding and fully paid, nonassessable and that were not issued in violation of any pre-emptive or similar rights of the holders of outstanding securities of the Company; provided , however , that, if there shall occur any change in nominal value, a split-up or consolidation or any other reclassification or, upon the occurrence of an event described in Section 4.08, an exchange or conversion in respect of the Shares of the Company, the term “Shares” shall thereafter also mean the successor securities resulting from such change in nominal value, split-up or consolidation or such other reclassification or such exchange or conversion.

ARTICLE 2. FORM OF RECEIPTS, DEPOSIT OF SHARES, DELIVERY, TRANSFER AND SURRENDER OF AMERICAN DEPOSITARY SHARES

SECTION 2.01 Form of Receipts; Registration and Transferability of American Depositary Shares.

The Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless such Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or a Registrar. The Depositary shall maintain books on which (x) each Receipt so executed and delivered as hereinafter provided and the transfer of each such Receipt shall be registered and (y) all American Depositary Shares delivered as hereinafter provided and all registrations of transfer of American Depositary Shares shall be registered. A Receipt bearing the facsimile signature of a person that was at any time of execution a proper officer of the Depositary shall, subject to the other provisions of this paragraph, bind the Depositary, notwithstanding that such person was not a proper officer of the Depositary on the date of delivery of that Receipt.

The Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be reasonably required by the Depositary or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

American Depositary Shares evidenced by a Receipt, when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under this Deposit Agreement to any holder of American Depositary Shares unless that holder is the Owner of those American Depositary Shares.

SECTION 2.02 Deposit of Shares.

Subject to the terms and conditions of this Deposit Agreement, Shares or evidence of rights to receive Shares may be deposited by delivery thereof to the Custodian hereunder, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the Custodian, together with all such certifications as may be required by the Depositary or the Custodian in accordance with the provisions of this Deposit Agreement, and, if the Depositary requires, together with a written order directing the Depositary to deliver to, or upon the written order of, the person or persons stated in such order, the number of American Depositary Shares representing such deposit.

No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in Brazil that is then performing the function of the regulation of currency exchange. If required by the Depositary, Shares presented for deposit at any time, whether or not the transfer books of the Company or the Foreign Registrar, if applicable, are closed, shall also be accompanied by an agreement or assignment, or other instrument satisfactory to the Depositary, which will provide for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property which any person in whose name the Shares are or have been recorded may thereafter receive upon or in respect of such deposited Shares, or in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

Deposited Securities shall be held by the Depositary or by the Custodian for the account and to the order of the Depositary or at such other place or places as the Depositary shall determine.

SECTION 2.03 Delivery of American Depositary Shares.

Upon receipt by the Custodian of any deposit pursuant to Section 2.02 hereunder, together with the other documents required as specified above, the Custodian shall notify the Depositary of such deposit and the person or persons to whom or upon whose written order American Depositary Shares are deliverable in respect thereof and the number of American Depositary Shares to be so delivered. Such notification shall be made by letter or, at the request, risk and expense of the person making the deposit, by cable, telex or facsimile transmission (and in addition, if the transfer books of the Company or the Foreign Registrar, if applicable, are open, the Depositary may in its sole discretion require a proper acknowledgment or other evidence from the Company or the Foreign Registrar that any Deposited Securities have been recorded upon the books of the Company or the Foreign Registrar, if applicable, in the name of the Depositary or its nominee or the Custodian or its nominee). Upon receiving such notice from such Custodian, or upon the receipt of Shares or evidence of the right to receive Shares by the Depositary, the Depositary, subject to the terms and conditions of this Deposit Agreement, shall deliver, to or upon the order of the person or persons entitled thereto, the number of American Depositary Shares issuable in respect of that deposit, but only upon payment to the Depositary of the fees and expenses of the Depositary for the delivery of such American Depositary Shares as provided in Section 5.09, and payment of all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Deposited Securities. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder.

SECTION 2.04 Registration of Transfer of American Depositary Shares; Combination and Split-up of Receipts; Interchange of Certificated and Uncertificated American Depositary Shares.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall register transfers of American Depositary Shares on its transfer books from time to time, upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner in person or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Thereupon the Depositary shall deliver those American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting registration of transfers of American Depositary Shares and combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to American Depositary Shares and will be entitled to protection and indemnity to the same extent as the Depositary.

SECTION 2.05 Surrender of American Depositary Shares and Withdrawal of Deposited Securities.

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment to the Depositary of the fee for the surrender of American Depositary Shares, as provided in Section 5.09, and payment of all taxes and governmental charges payable in connection with such surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Such delivery shall be made, as hereinafter provided, without unreasonable delay. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the Owner or Holder and is not receiving delivery of the Deposited Securities.

A Receipt surrendered for such purposes may be required by the Depositary to be properly endorsed in blank or accompanied by proper instruments of transfer in blank. The Depositary may require the surrendering Owner to execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in such order. Thereupon the Depositary shall direct the Custodian to deliver at the office of the Custodian, subject to Sections 2.06, 3.01 and 3.02 and to the other terms and conditions of this Deposit Agreement, to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the surrendered American Depositary Shares, except that the Depositary may make delivery to such person or persons at the Corporate Trust Office of the Depositary of any dividends or distributions with respect to the Deposited Securities represented by those American Depositary Shares, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

At the request, risk and expense of any Owner so surrendering American Depositary Shares, and for the account of such Owner, the Depositary shall direct the Custodian to forward any cash or other property (other than rights) comprising, and forward a certificate or certificates, if applicable, and other proper documents of title for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Corporate Trust Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Owner, by cable, telex or facsimile transmission.

Neither the Depositary nor the Custodian shall deliver Shares (other than to the Company or its agent as contemplated by Section 4.08), or otherwise permit Shares to be withdrawn from the facility created hereby, except upon the surrender of American Depositary Shares or in connection with a sale permitted under, and subject to the provisions of, Section 3.02, 4.03, 4.11 or 6.02.

SECTION 2.06 Limitations on Delivery, Transfer and Surrender of American Depositary Shares.

As a condition precedent to the delivery, registration of transfer or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, Custodian or Registrar may require payment from the depositor of Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as herein provided, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.06.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in this Deposit Agreement, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933 for public offer and sale in the United States unless a registration statement is in effect as to such Shares for such offer and sale.

SECTION 2.07 Lost Receipts, etc.

In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depositary shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form or, if requested by the Owner, execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt, upon cancellation thereof, or in lieu of and in substitution for such destroyed, lost or stolen Receipt. Before the Depositary shall deliver American Depositary Shares in uncertificated form or execute and deliver a new Receipt, in substitution for a destroyed, lost or stolen Receipt, the Owner thereof shall have (a) filed with the Depositary (i) a request for such execution and delivery before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfied any other reasonable requirements imposed by the Depositary.

SECTION 2.08 Cancellation and Destruction of Surrendered Receipts.

All Receipts surrendered to the Depositary shall be cancelled by the Depositary. The Depositary is authorized to destroy Receipts so cancelled.

SECTION 2.09 Pre-Release of American Depositary Shares.

Notwithstanding Section 2.03 hereof, unless requested in writing by the Company to cease doing so, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.02 (a "Pre-Release"). The Depositary may, pursuant to Section 2.05, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered (a "Pre-Releasee"), that such person, or its customer, (i) owns the Shares or American Depositary Shares to be remitted, as the case may be, (ii) transfers all beneficial right, title and interest in such Shares or American Depositary Shares, as the case may be, to the Depositary in its capacity as such and for the benefit of the Owners, and (iii) will not take any action with respect to such Shares or American Depositary Shares, as the case may be, that is inconsistent with the transfer of ownership (including, without the consent of the Depositary, disposing of Shares or American Depositary Shares, as the case may be, other than in satisfaction of such Pre-Release), (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares represented by American Depositary Shares which are outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided , however , that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. For purposes of enabling the Depositary to fulfill its obligations to the Owners under the Agreement, the collateral referred to in clause (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations to the Depositary in connection with a Pre-Release transaction, including the Pre-Releasee's obligation to deliver Shares or American Depositary Shares upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities hereunder).

The Depository may retain for its own account any compensation received by it in connection with the foregoing.

SECTION 2.10 DTC Direct Registration System and Profile Modification System.

(a) Notwithstanding the provisions of Section 2.04, the parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depository may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depository to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depository to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depository of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 shall apply to the matters arising from the use of the DRS. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile System and in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depository.

ARTICLE 3. CERTAIN OBLIGATIONS OF OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

SECTION 3.01 Filing Proofs, Certificates and Other Information.

Any person presenting Shares for deposit or any Owner or holder may be required from time to time to file with the Depository or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depository may deem necessary or proper. The Depository may withhold the delivery or registration of transfer of American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made.

SECTION 3.02 Liability of Owner for Taxes.

If any tax or other governmental charge imposed under applicable law shall become payable by the Custodian or the Depository with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be payable by the Owner of such American Depositary Shares to the Depository. The Depository may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner thereof any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner of such American Depositary Shares shall remain liable for any deficiency.

SECTION 3.03 Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any preemptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of American Depositary Shares representing such Shares by that person are not restricted under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and delivery of American Depositary Shares.

SECTION 3.04 Delivery of Information to the CVM and the Central Bank.

Each of the Depositary and the Company hereby confirms to the other that for as long as this Deposit Agreement is in effect, it shall furnish the CVM and the Central Bank, at any time and within the period that may be determined, with any information and documents related to the American Depositary Share program and the American Depositary Shares issued hereunder. In the event that the Depositary or the Custodian shall be advised in writing by reputable independent Brazilian counsel that the Depositary or Custodian reasonably could be subject to criminal, or material, as reasonably determined by the Depositary, civil, liabilities as a result of the Company having failed to provide such information or documents reasonably available only through the Company, the Depositary shall have the right to terminate this Deposit Agreement, upon at least 30 days' prior notice to the Owners and the Company, and the Depositary shall not be subject to any liability hereunder on account of such termination or such determination.

ARTICLE 4. THE DEPOSITED SECURITIES

SECTION 4.01 Cash Distributions.

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities, the Depositary shall, subject to the provisions of Section 4.05, convert such dividend or distribution into Dollars and shall, as promptly as practicable, distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.09) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Owner a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Owners entitled thereto. Notwithstanding the foregoing, in the event that the Company, the Custodian or the Depositary shall be required by applicable law to withhold and does withhold from such cash dividend or such other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owner of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. The applicable withholding agent (or its agent) will remit to the appropriate governmental agency all amounts so withheld and owing to such agency. The Depositary shall, as promptly as practicable, forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies, and the Depositary or the Company or its agent may file any such reports necessary to obtain benefits under the applicable tax treaties for the Owners.

Subject to the provisions of Sections 4.11 and 5.09, whenever the Depositary shall receive any distribution other than a distribution described in Section 4.01, 4.03 or 4.04, the Depositary shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges imposed under applicable law, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason (including, but not limited to, any requirement under applicable law that the Company or the Depositary withhold an amount on account of taxes or other governmental charges or that such securities must be registered under the Securities Act of 1933 in order to be distributed to Owners or holders) the Depositary deems such distribution not to be practicable, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Section 5.09) shall be distributed by the Depositary to the Owners entitled thereto, all in the manner and subject to the conditions described in Section 4.01. The Depositary may withhold any distribution of securities under this Section 4.02 if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Section 4.02 that is sufficient to pay its fees and expenses in respect of that distribution.

SECTION 4.03 Distributions in Shares.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 and the payment of the fees and expenses of the Depositary as provided in Section 5.09 (and the Depositary may sell, by public or private sale, an amount of the Shares received sufficient to pay its fees and expenses in respect of that distribution). For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. The Depositary may withhold any such delivery of American Depositary Shares if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary shall sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds of any sale of that kind as a cash distribution to the Owners, all in the manner and subject to the conditions described in Section 4.01. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

SECTION 4.04 Rights.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after consultation with the Company, shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner hereunder, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of this Deposit Agreement, and shall, pursuant to Section 2.03 of this Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Section, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines based on advice of its legal counsel that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary, as provided in Section 5.09, and all taxes and governmental charges payable in connection with such rights, and subject to the terms and conditions of this Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise. . For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the Owner or Holder.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in this Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

SECTION 4.05 Conversion of Foreign Currency.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the reasonable judgment of the Depositary be converted into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation, except that the Depositary may delay conversion of foreign currency for so long as, in its reasonable judgment, market conditions will not permit that conversion to be carried out on a reasonable basis. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. Such distribution may be made upon an averaged or other reasonably practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its reasonable judgment any foreign currency received by the Depositary or the Custodian is not convertible into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the reasonable judgment of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary in its reasonable judgment, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

SECTION 4.06 Fixing of Record Date.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date applicable to the Deposited Securities, (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee or charge assessed by the Depositary pursuant to this Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.01 through 4.05 and to the other terms and conditions of this Deposit Agreement, the Owners on such record date shall be entitled, as the case may be, to receive the amount distributable by the Depositary with respect to such dividend or other distribution or such rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively and to give voting instructions and to act in respect of any other such matter.

SECTION 4.07 Voting of Deposited Securities.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the Owners a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Brazilian law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given. Upon the written request of an Owner of American Depositary Shares on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor, in so far as practicable, to vote or cause to be voted the amount of Shares or other Deposited Securities represented by those American Depositary Shares in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions. For the avoidance of doubt, if the Depositary timely receives from an Owner instructions which fail to specify the manner in which the Depositary is to vote, the amount of Deposited Securities represented by such Owner's American Depositary Shares shall not be voted. Similarly, the amount of Deposited Securities represented by American Depositary Shares for which instructions were not timely received by the Depositary shall not be voted.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the instruction cutoff date to enable Owners to give voting instructions to the Depositary by the instruction cutoff date.

In order to give Owners a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if the Company will request the Depositary to act under this Section 4.07, the Company shall give the Depositary notice of any such meeting and details concerning the matters to be voted upon not less than 30 days prior to the meeting date.

Without limiting any of the foregoing, to the extent the Depositary does not receive voting instructions from Owners, the Depositary shall take such actions as are necessary, upon the written request of the Company and subject to applicable law and the terms of the Deposited Securities, to cause the amount of Shares represented by American Depositary Shares of those Owners to be counted for the purpose of satisfying applicable quorum requirements.

SECTION 4.08 Changes Affecting Deposited Securities.

Upon any change in nominal value, change in par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depositary or the Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities, shall be treated as new Deposited Securities under this Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional American Depositary Shares are delivered pursuant to the following sentence. In any such case the Depositary may deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

SECTION 4.09 Reports.

The Depositary shall make available for inspection by Owners at its Corporate Trust Office any reports and communications, including any proxy solicitation material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary shall also, upon written request by the Company, send to the Owners copies of such reports when furnished by the Company pursuant to Section 5.06. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

SECTION 4.10 Lists of Owners.

The Depositary shall, as of the close of each calendar quarter, and as of any other date upon the written request of the Company, furnish to it a list of the full registered names, addresses and holdings of American Depositary Shares by all Owners.

SECTION 4.11 Withholding.

In the event that the Depositary determines in its reasonable judgment that any distribution of property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold under applicable law, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

ARTICLE 5. THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

SECTION 5.01 Maintenance of Office and Transfer Books by the Depositary.

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain in the Borough of Manhattan, The City of New York, facilities for the execution and delivery, registration, registration of transfers and surrender of American Depositary Shares in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to this Deposit Agreement or the American Depositary Shares.

The Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder.

If any American Depositary Shares are listed on one or more stock exchanges in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registry of such American Depositary Shares in accordance with any requirements of such exchange or exchanges.

SECTION 5.02 Prevention or Delay in Performance by the Depository or the Company.

Neither the Depository nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder (i) if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the articles of association or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depository or the Company shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of this Deposit Agreement or the Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of this Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement, (iv) for the inability of any Owner or holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Owners or holders, or (v) for any special, consequential or punitive damages for any breach of the terms of this Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03, or an offering or distribution pursuant to Section 4.04, or for any other reason, such distribution or offering may not be made available to Owners, and the Depository may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depository shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse.

SECTION 5.03 Obligations of the Depository, the Custodian and the Company.

The Company assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder, except that the Company agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depository assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Depository agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares on behalf of any Owner or Holder or any other person.

Neither the Depositary nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or any other person believed by it in good faith to be competent to give such advice or information.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise.

The Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of this Deposit Agreement.

SECTION 5.04 Resignation and Removal of the Depositary.

The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by 60 days prior written notice of such removal, to become effective upon the later of (i) the 60th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor; but such predecessor, nevertheless, upon payment of all sums due it and on the written request of the Company shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Deposited Securities to such successor and shall deliver to such successor a list of the Owners of all outstanding American Depositary Shares. Any such successor depositary shall promptly mail notice of its appointment to the Owners.

The Depositary may not assign this Deposit Agreement in whole or in part, provided that any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

SECTION 5.05 The Custodian.

The Custodian or its successor shall be subject at all times and in all respects to the directions of the Depositary and shall be responsible solely to it. The Custodian may resign and be discharged from its duties hereunder by written notice of such resignation delivered to the Depositary at least 30 days prior to the date on which such resignation is to become effective. The Depositary shall, promptly after receiving such notice, appoint a substitute custodian, which shall thereafter be the Custodian hereunder. The Depositary may discharge the Custodian any time upon notice to the Custodian being discharged. The Depositary may in its discretion appoint a substitute custodian, which shall thereafter be the Custodian hereunder. Upon demand of the Depositary, the Custodian shall deliver such of the Deposited Securities or evidence of ownership and title of the Deposited Securities held by it as are requested of it to the substitute custodian. The Depositary agrees with the Company that at no time shall there be more than one Custodian acting in connection with this Deposit Agreement.

Upon the appointment of any successor depositary hereunder, the Custodian then acting hereunder shall forthwith become, without any further act or writing, the agent hereunder of such successor depositary and the appointment of such successor depositary shall in no way impair the authority of the Custodian hereunder; but the successor depositary so appointed shall, nevertheless, on the written request of the Custodian, execute and deliver to the Custodian all such instruments as may be proper to give to the Custodian full and complete power and authority as agent hereunder of such successor depositary.

SECTION 5.06 Notices and Reports.

On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights, the Company agrees to transmit to the Depositary and the Custodian a copy of the notice thereof in the form given or to be given to holders of Shares or other Deposited Securities.

The Company will arrange for the translation into English, if not already in English, to the extent required pursuant to any regulations of the Commission, and the prompt transmittal by the Company to the Depositary and the Custodian of such notices and any other reports and communications which are made generally available by the Company to holders of its Shares. If requested in writing by the Company, the Depositary will arrange for the mailing, at the Company's expense (unless otherwise agreed in writing between the Company and the Depositary), of copies of such notices, reports and communications to all Owners. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect such mailings.

SECTION 5.07 Distribution of Additional Shares, Rights, etc.

If the Company or any affiliate of the Company determines to make any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities (each a "Distribution"), the Company shall notify the Depositary in writing in English as promptly as practicable and in any event before the Distribution starts and, if reasonably requested in writing by the Depositary in the case of a Distribution of securities that are not registered under the Securities Act of 1933, the Company shall promptly furnish to the Depositary a written opinion from U.S. counsel for the Company that is reasonably satisfactory to the Depositary, stating whether or not the Distribution requires, or, if made in the United States, would require, registration under the Securities Act of 1933.

The Company agrees with the Depositary that neither the Company nor any company controlled by, controlling or under common control with the Company will at any time deposit any Shares, either originally issued or previously issued and reacquired by the Company or any such affiliate, unless a Registration Statement is in effect as to such Shares under the Securities Act of 1933 or the Company delivers to the Depositary an opinion of United States counsel for the Company, which counsel shall be reasonably satisfactory to the Depositary, to the effect that, upon deposit, such Shares may be publicly offered and sold by the holder thereof in the United States without further registration of such Shares under the Securities Act of 1933.

SECTION 5.08 Indemnification.

The Company agrees to indemnify the Depositary, its directors, employees, agents and affiliates and the Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) which may arise out of or in connection with (i) any registration with the Commission of American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States, except for any liability or expense arising out of information relating to the Depositary or the Custodian furnished in writing by the Depositary for use in a prospectus and not changed by the Company or, if information of that kind is furnished, the failure to state a material fact necessary to make the information provided not misleading (it being understood and agreed that the Depositary has not furnished any information of that kind) or (ii) acts performed or omitted, pursuant to the provisions of or in connection with this Deposit Agreement and of the Receipts, as the same may be amended, modified or supplemented from time to time, (A) by either the Depositary, its directors, employees, agents and affiliates or the Custodian, except for any liability or expense arising out of the negligence or bad faith of either of them, or (B) by the Company or any of its directors, employees, agents and affiliates.

The indemnities contained in the preceding paragraph shall not extend to any liability or expense to the extent such liability or expense arises solely and exclusively out of a Pre-Release (as defined in Section 2.09) of American Depositary Shares in accordance with Section 2.09 and which would not otherwise have arisen had those American Depositary Shares not been the subject of a Pre-Release pursuant to Section 2.09; provided, however, that the indemnities provided in the preceding paragraph shall apply to any such liability or expense (i) to the extent that such liability or expense would have arisen had those American Depositary Shares not be the subject of a Pre-Release, or (ii) which may arise out of any misstatement or alleged misstatement or omission or alleged omission in any registration statement, proxy statement, prospectus (or placement memorandum), or preliminary prospectus (or preliminary placement memorandum) relating to the offer or sale of American Depositary Shares, except to the extent any such liability or expense arises out of (x) information relating to the Depositary or any Custodian (other than the Company), as applicable, furnished in writing and not materially changed or altered by the Company expressly for use in any of the foregoing documents, or, (y) if such information is provided, the failure to state a material fact necessary to make the information provided not misleading.

The Depositary agrees to indemnify the Company, its directors, employees, agents and affiliates and hold them harmless from any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary or the Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith.

Any person seeking indemnification hereunder (an “Indemnified Person”) shall notify the person from whom it is seeking indemnification (the “Indemnifying Person”) of the commencement of any indemnifiable action or claim promptly after such Indemnified Person becomes aware of such commencement (provided that the failure to make such notification shall not affect such Indemnified Person’s rights to seek indemnification except to the extent such failure results in the forfeiture of substantive rights or defenses of the Indemnifying Person) and shall consult in good faith with the Indemnifying Person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable under the circumstances. No Indemnified Person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the written consent of the Indemnifying Person, which consent shall not be unreasonably withheld or delayed.

The obligations set forth in this Section 5.08 shall survive the termination of this Deposit Agreement and the succession or substitution of any person indemnified hereby.

SECTION 5.09 Charges of Depositary.

The Company agrees to pay the fees and out-of-pocket expenses of the Depositary and those of any Registrar only in accordance with agreements in writing entered into between the Depositary and the Company from time to time.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and facsimile transmission expenses as are expressly provided in this Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 hereof, (7) a fee for the distribution of securities pursuant to Section 4.02, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.02 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary, subject to Section 2.09 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

SECTION 5.10 Retention of Depositary Documents.

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary unless the Company requests that such papers be retained for a longer period or turned over to the Company or to a successor depositary.

SECTION 5.11 Exclusivity.

Without prejudice to the Company's right to remove the Depositary under Section 5.04, the Company agrees not to appoint any other depositary for issuance of American or global depositary shares or receipts so long as The Bank of New York Mellon is acting as Depositary hereunder.

SECTION 5.12 List of Restricted Securities Owners.

From time to time, the Company shall provide to the Depositary a list setting forth, to the actual knowledge of the Company, those persons or entities who beneficially own Restricted Securities and the Company shall update that list on a regular basis. The Company agrees to advise in writing each of the persons or entities so listed that such Restricted Securities are ineligible for deposit hereunder. The Depositary may rely on such a list or update but shall not be liable for any action or omission made in reliance thereon.

SECTION 5.13 Listing.

So long as any American Depositary Shares are listed or admitted to trading on a stock exchange or another trading platform, the Depositary shall use reasonable efforts to comply with reasonable requests of the Company required to enable the Company to comply with listing rules of the respective stock exchange or trading platform.

ARTICLE 6. AMENDMENT AND TERMINATION

SECTION 6.01 Amendment.

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

SECTION 6.02 Termination.

The Company may at any time terminate this Deposit Agreement by instructing the Depositary to mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate this Deposit Agreement if at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.04; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges).

At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under this Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges. Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.08 and 5.09.

ARTICLE 7. MISCELLANEOUS

SECTION 7.01 Counterparts.

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and the Custodian and shall be open to inspection by any Owner or Holder during business hours.

SECTION 7.02 No Third Party Beneficiaries.

This Deposit Agreement is for the exclusive benefit of the parties hereto and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person.

SECTION 7.03 Severability.

In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.04 Owners and Holders as Parties; Binding Effect.

The Owners and Holders from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of American Depositary Shares or any interest therein.

SECTION 7.05 Notices.

Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to Petróleo Brasileiro S.A. – PETROBRAS, Avenida República do Chile 65 2202 B, Rio De Janeiro 20031-912, Brazil, Attention: Investor Relations, or any other place to which the Company may have transferred its principal office with notice to the Depositary.

Any and all notices to be given to the Depository shall be deemed to have been duly given if in English and personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, Attention: American Depository Receipt Administration, or any other place to which the Depository may have transferred its Corporate Trust Office with notice to the Company.

Any and all notices to be given to any Owner shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to such Owner at the address of such Owner as it appears on the transfer books for American Depository Shares of the Depository, or, if such Owner shall have filed with the Depository a written request that notices intended for such Owner be mailed to some other address, at the address designated in such request.

(a) Delivery of a notice sent by mail or cable, telex or facsimile transmission shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box. The Depository or the Company may, however, act upon any cable, telex or facsimile transmission received by it, notwithstanding that such cable, telex or facsimile transmission shall not subsequently be confirmed by letter as aforesaid.

SECTION 7.06 Submission to Jurisdiction; Appointment of Agent for Service of Process; Jury Trial Waiver.

The Company hereby (i) irrevocably designates and appoints its New York office, currently located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022, in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depository Shares, the Receipts or this Agreement, (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company agrees to deliver, upon the execution and delivery of this Deposit Agreement, a written acceptance by such agent of its appointment as such agent. The Company further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment in full force and effect for so long as any American Depository Shares or Receipts remain outstanding or this Agreement remains in force. In the event the Company fails to continue such designation and appointment in full force and effect, the Company hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

EACH PARTY TO THIS DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THIS DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

SECTION 7.07 Waiver of Immunities.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

SECTION 7.08 Governing Law.

This Deposit Agreement and the Receipts shall be interpreted and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the laws of the State of New York, except with respect to its authorization and execution by the Company, which shall be governed by the laws of Brazil.

IN WITNESS WHEREOF, PETRÓLEO BRASILEIRO S.A. - PETROBRAS and THE BANK OF NEW YORK MELLON have duly executed this Deposit Agreement as of the day and year first set forth above and all Owners and Holders shall become parties hereto upon acceptance by them of American Depositary Shares or any interest therein.

PETRÓLEO BRASILEIRO S.A. -

PETROBRAS

By: /s/ Almir Guilherme Barbassa
Name: Almir Guilherme Barbassa
Title: Chief Executive Officer

THE BANK OF NEW YORK MELLON,
as Depositary

By: /s/ Veronica Westberg
Name: Veronica Westberg
Title: Managing Director

EXHIBIT A

AMERICAN DEPOSITARY SHARES

(Each American Depositary Share represents
two deposited Shares)

THE BANK OF NEW YORK MELLON
AMERICAN DEPOSITARY RECEIPT
FOR COMMON SHARES
OF
PETRÓLEO BRASILEIRO S.A. - PETROBRAS
(INCORPORATED UNDER THE LAWS OF THE FEDERATIVE REPUBLIC OF BRAZIL)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that _____, or registered assigns IS THE OWNER OF

AMERICAN DEPOSITARY SHARES

representing deposited common shares (herein called "Shares") of Petr6leo Brasileiro S.A. - PETROBRAS, a company incorporated under the laws of the Federative Republic of Brazil (herein called the "Company"). At the date hereof, each American Depositary Share represents two Shares deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) at the principal S6o Paulo office of Ita6 Unibanco S.A. (herein called the "Custodian"). The Depositary's Corporate Trust Office is located at a different address than its principal executive office. Its Corporate Trust Office is located at 101 Barclay Street, New York, N.Y. 10286, and its principal executive office is located at One Wall Street, New York, N.Y. 10286.

THE DEPOSITARY'S CORPORATE TRUST OFFICE ADDRESS IS
101 BARCLAY STREET, NEW YORK, N.Y. 10286

1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called "Receipts"), all issued and to be issued upon the terms and conditions set forth in the Amended and Restated Deposit Agreement (Common Shares) dated as of January 3, 2012 (herein called the "Deposit Agreement") among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of such Shares and held thereunder (such Shares, securities, property, and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Depositary's Corporate Trust Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

2. SURRENDER OF AMERICAN DEPOSITARY SHARES AND WITHDRAWAL OF DEPOSITED SECURITIES .

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares, and upon payment to the Depositary of the fee for the surrender of American Depositary Shares as provided in Section 5.09 of the Deposit Agreement, and subject to the terms and conditions of the Deposit Agreement, the Owner of those American Depositary Shares is entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Such delivery will be made at the option of the Owner hereof, either at the office of the Custodian or at the Corporate Trust Office of the Depositary, provided that the forwarding of certificates for Shares or other Deposited Securities for such delivery at the Corporate Trust Office of the Depositary shall be at the risk and expense of the Owner hereof. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the Owner or Holder and is not receiving delivery of the Deposited Securities. Neither the Depositary nor the Custodian shall deliver Shares (other than to the Company or its agent as contemplated by Section 4.08 of the Deposit Agreement), or otherwise permit Shares to be withdrawn from the facility created hereby, except upon the surrender of American Depositary Shares or in connection with a sale permitted under, and subject to the provisions of, Section 3.02, 4.03, 4.11 or 6.02 of that Agreement.

3. TRANSFERS, SPLIT-UPS, AND COMBINATIONS OF RECEIPTS.

Transfers of American Depositary Shares may be registered on the books of the Depositary by the Owner in person or by a duly authorized attorney, upon surrender of those American Depositary Shares properly endorsed for transfer or accompanied by proper instruments of transfer, in the case of a Receipt, or pursuant to a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement), in the case of uncertificated American Depositary Shares, and funds sufficient to pay any applicable transfer taxes and the expenses of the Depositary and upon compliance with such regulations, if any, as the Depositary may reasonably establish for such purpose. This Receipt may be split into other such Receipts, or may be combined with other such Receipts into one Receipt, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered. The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the Owner of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares. As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of Shares or presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in the Deposit Agreement or this Receipt, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933, unless a registration statement is in effect as to such Shares for such offer and sale.

4. LIABILITY OF OWNER FOR TAXES.

If any tax or other governmental charge shall become payable with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be payable by the Owner to the Depository. The Depository may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner shall remain liable for any deficiency.

5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant, that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any preemptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of American Depositary Shares representing such Shares by that person are not restricted under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and delivery of American Depositary Shares.

6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of any American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in Brazil that is then performing the function of the regulation of currency exchange.

7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals under the terms of the Deposit Agreement, (3) such cable, telex and facsimile transmission expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05 of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02 of the Deposit Agreement, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.02 of the Deposit Agreement, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.02 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary, subject to Article 8 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

From time to time, the Depositary may make reimbursement payments to the Company for expenses relating to this American Depositary Shares program.

8. PRE-RELEASE OF RECEIPTS.

Notwithstanding Section 2.03 of the Deposit Agreement, unless requested in writing by the Company to cease doing so, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.02 (a “Pre-Release”). The Depositary may, pursuant to Section 2.05, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered (a “Pre-Releasee”), that such person, or its customer, (i) owns the Shares or American Depositary Shares to be remitted, as the case may be, (ii) transfers all beneficial right, title and interest in such Shares or American Depositary Shares, as the case may be, to the Depositary in its capacity as such and for the benefit of the Owners, and (iii) will not take any action with respect to such Shares or American Depositary Shares, as the case may be, that is inconsistent with the transfer of ownership (including, without the consent of the Depositary, disposing of Shares or American Depositary Shares, as the case may be, other than in satisfaction of such Pre-Release), (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares represented by American Depositary Shares which are outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. For purposes of enabling the Depositary to fulfill its obligations to the Owners under the Deposit Agreement, the collateral referred to in clause (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee’s obligations to the Depositary in connection with a Pre-Release transaction, including the Pre-Releasee’s obligation to deliver Shares or American Depositary Shares upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities hereunder).

The Depository may retain for its own account any compensation received by it in connection with the foregoing.

9. TITLE TO RECEIPTS.

It is a condition of this Receipt and every successive Owner and holder of this Receipt by accepting or holding the same consents and agrees that when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depository Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York. The Depository, notwithstanding any notice to the contrary, may treat the Owner of American Depository Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depository nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depository Shares unless that Holder is the Owner of those American Depository Shares.

10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been executed by the Depository by the manual signature of a duly authorized signatory of the Depository; provided, however that such signature may be a facsimile if a Registrar for the Receipts shall have been appointed and such Receipts are countersigned by the manual signature of a duly authorized officer of the Registrar.

11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files reports with the Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system on the Internet at www.sec.gov or at public reference facilities maintained by the Commission located at 100 F Street, N.E., Washington, D.C. 20549.

The Depositary will make available for inspection by Owners at its Corporate Trust Office any reports, notices and other communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary will also, upon written request by the Company, send to Owners copies of such reports when furnished by the Company pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary receives any cash dividend or other cash distribution on any Deposited Securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted into Dollars transferable to the United States, and subject to the Deposit Agreement, convert such dividend or distribution into Dollars and will distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) to the Owners entitled thereto; provided , however , that in the event that the Company, the Custodian or the Depositary shall be required by applicable law to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly.

Subject to the provisions of Section 4.11 and 5.09 of the Deposit Agreement, whenever the Depositary receives any distribution other than a distribution described in Section 4.01, 4.03 or 4.04 of the Deposit Agreement, the Depositary will cause the securities or property received by it to be distributed to the Owners entitled thereto, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided , however , that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be practicable, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) will be distributed by the Depositary to the Owners of Receipts entitled thereto all in the manner and subject to the conditions described in Section 4.01 of the Deposit Agreement. The Depositary may withhold any distribution of securities under Section 4.02 of the Deposit Agreement if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Article that is sufficient to pay its fees and expenses in respect of that distribution.

If any distribution consists of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and after deduction or upon issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of Shares received sufficient to pay its fees and expenses in respect of that distribution). For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. The Depositary may withhold any such delivery of American Depositary Shares if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary will sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds of any sale of that kind as a cash distribution to the Owners thereto, all in the manner and subject to the conditions described in Section 4.01 of the Deposit Agreement. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

In the event that the Depositary determines in its reasonable judgment that any distribution of property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold under applicable law, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay any such taxes or charges, and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners of Receipts entitled thereto.

13. RIGHTS.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after consultation with the Company, shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner under the Deposit Agreement, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of the Deposit Agreement, and shall, pursuant to Section 2.03 of the Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Article 13, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines based on advice of its legal counsel that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary, as provided in Section 5.09 of the Deposit Agreement, and all taxes and governmental charges payable in connection with such rights, and subject to the terms and conditions of the Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in the Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the reasonable judgment of the Depositary be converted into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other reasonably practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09 of the Deposit Agreement except that the Depositary may delay conversion of foreign currency for so long as, in its reasonable judgment, market conditions will not permit that conversion to be carried out on a reasonable basis. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. .

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any.

If at any time the Depositary shall determine that in its reasonable judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the reasonable judgment of counsel to the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary in its reasonable judgment, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

15. RECORD DATES.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date applicable to the Deposited Securities, (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee assessed by the Depositary pursuant to the Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares, subject to the provisions of the Deposit Agreement.

16. VOTING OF DEPOSITED SECURITIES.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the Owners of Receipts a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given. Upon the written request of an Owner of American Depositary Shares on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor insofar as practicable to vote or cause to be voted the amount of Shares or other Deposited Securities represented by those American Depositary Shares in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions. For the avoidance of doubt, if the Depositary timely receives from an Owner instructions which fail to specify the manner in which the Depositary is to vote, the amount of Deposited Securities represented by such Owner's American Depositary Shares shall not be voted. Similarly, the amount of Deposited Securities represented by American Depositary Shares for which instructions were not timely received by the Depositary shall not be voted.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the instruction cutoff date to enable Owners to give voting instructions to the Depositary by the instruction cutoff date.

In order to give Owners a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if the Company will request the Depositary to act under Section 4.07 of the Deposit Agreement, the Company shall give the Depositary notice of any such meeting or solicitation and details concerning the matters to be voted upon not less than 30 days prior to the meeting date.

Without limiting any of the foregoing, to the extent the Depositary does not receive voting instructions from Owners, the Depositary shall take such actions as are necessary, upon the written request of the Company, subject to applicable law and the terms of the Deposited Securities, to cause the amount of Shares represented by American Depositary Shares of those Owners to be counted for the purpose of satisfying applicable quorum requirements.

17. CHANGES AFFECTING DEPOSITED SECURITIES.

Upon any change in nominal value, change in par value, split-up, consolidation, or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation, or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depository or the Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities shall be treated as new Deposited Securities under the Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depository may deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depository nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or holder, (i) if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority, or by reason of any provision, present or future, of the articles of association or any similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depository or the Company shall be prevented, delayed or forbidden from or be subject to any civil or criminal penalty on account of doing or performing any act or thing which by the terms of the Deposit Agreement or Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, (iv) for the inability of any Owner or holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or holders, or (v) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03 of the Deposit Agreement, or an offering or distribution pursuant to Section 4.04 of the Deposit Agreement, or for any other reason, such distribution or offering may not be made available to Owners of Receipts, and the Depository may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depository shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse. Neither the Company nor the Depository assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or holders, except that they agree to perform their respective obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depository shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depository nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or holder or other person. Neither the Depository nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or holder, or any other person believed by it in good faith to be competent to give such advice or information. The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with a matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises, the Depository performed its obligations without negligence or bad faith while it acted as Depository. The Depository shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise. The Depository shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such

vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of the Deposit Agreement.

19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN .

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by 60 days prior written notice of such removal, to become effective upon the later of (i) the 60th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary in its discretion may appoint a substitute custodian.

20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and holder of American Depositary Shares, at the time any amendment so becomes effective, shall be deemed, by continuing to hold such American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

21. TERMINATION OF DEPOSIT AGREEMENT.

The Company may terminate the Deposit Agreement by instructing the Depositary to mail notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate the Deposit Agreement, if at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in the Deposit Agreement; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it thereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary with respect to indemnification, charges, and expenses.

22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.04 of the Deposit Agreement, the parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depositary may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depositary to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 of the Deposit Agreement shall apply to the matters arising from the use of the DRS. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile System and in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depository.

23. SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

(a) In the Deposit Agreement, the Company has (i) appointed its New York office, currently located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022, in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

(b) To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

24. DELIVERY OF INFORMATION TO THE CVM.

Each of the Depositary and the Company hereby confirms to the other that for as long as the Deposit Agreement is in effect, it shall furnish the CVM and the Central Bank, at any time and within the period that may be determined, with any information and documents related to the American Depositary Share program and the American Depositary Shares. In the event that the Depositary or the Custodian shall be advised in writing by reputable independent Brazilian counsel that the Depositary or Custodian reasonably could be subject to criminal, or material, as reasonably determined by the Depositary, civil, liabilities as a result of the Company having failed to provide such information or documents reasonably available only through the Company, the Depositary shall have the right to terminate this Deposit Agreement, upon at least 30 days' prior notice to the Owners and the Company, and the Depositary shall not be subject to any liability hereunder on account of such termination or such determination.

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PETRÓLEO BRASILEIRO S.A. - PETROBRAS

AND

THE BANK OF NEW YORK MELLON

As Depositary

AND

OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

Amended and Restated Deposit Agreement
(Preferred Shares)

Dated as of January 3, 2012

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AMENDED AND RESTATED DEPOSIT AGREEMENT
(Preferred Shares)

AMENDED AND RESTATED DEPOSIT AGREEMENT (Preferred Shares) dated as of January 3, 2012 among PETRÓLEO BRASILEIRO S.A. - PETROBRAS, a company incorporated under the laws of the Federative Republic of Brazil (herein called the Company), THE BANK OF NEW YORK MELLON, a New York banking corporation (herein called the Depository), and all Owners and Holders from time to time of American Depository Shares issued hereunder.

WITNESSETH:

WHEREAS, the Company and JPMorgan Chase Bank, N.A. entered into an amended and restated deposit agreement relating to preferred shares of the Company, dated as of January 2, 2007 and subsequently amended that agreement as of June 22, 2007 and September 16, 2010 (that agreement, as so amended, the "Old Deposit Agreement"), for the purposes stated in the Old Deposit Agreement, for the creation of American depository shares representing the Shares so deposited and for the execution and delivery of American depository receipts ("Old Receipts") evidencing the American depository shares;

WHEREAS, the Company has removed JP Morgan Chase Bank, N.A. as depository under the Old Deposit Agreement pursuant to Section 13 of the Old Deposit Agreement and has appointed the Depository as successor depository under the Old Deposit Agreement, and the Depository has accepted that appointment;

WHEREAS, the Company and the Depository now wish to amend and restate the Old Deposit Agreement pursuant to paragraph (16) of the form of ADR incorporated by reference into the Old Deposit Agreement in the form of this Amended and Restated Deposit Agreement; and

WHEREAS, the Company desires to provide, as hereinafter set forth in this Amended and Restated Deposit Agreement, for the deposit of Shares (as hereinafter defined) of the Company from time to time with the Depository or with the Custodian (as hereinafter defined) as agent of the Depository for the purposes set forth in this Amended and Restated Deposit Agreement, for the creation of American Depository Shares representing the Shares so deposited and for the execution and delivery of American Depository Receipts evidencing the American Depository Shares; and

WHEREAS, the American Depository Receipts are to be substantially in the form of Exhibit A annexed hereto, with appropriate insertions, modifications and omissions, as hereinafter provided in this Amended and Restated Deposit Agreement;

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby amend and restate the Old Deposit Agreement and the Old Receipts in their entirety as follows:

ARTICLE 1. DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated, apply to the respective terms used in this Deposit Agreement:

SECTION 1.01 American Depositary Shares.

The term “American Depositary Shares” shall mean the securities created under this Deposit Agreement representing rights with respect to the Deposited Securities. American Depositary Shares may be certificated securities evidenced by Receipts or uncertificated securities. The form of Receipt annexed as Exhibit A to this Deposit Agreement shall be the prospectus required under the Securities Act of 1933 for sales of both certificated and uncertificated American Depositary Shares. Except for those provisions of this Deposit Agreement that refer specifically to Receipts, all the provisions of this Deposit Agreement shall apply to both certificated and uncertificated American Depositary Shares. Each American Depositary Share shall represent the number of Shares specified in Exhibit A to this Deposit Agreement, until there shall occur a distribution upon Deposited Securities covered by Section 4.03 or a change in Deposited Securities covered by Section 4.08 with respect to which additional American Depositary Shares are not delivered, and thereafter American Depositary Shares shall represent the amount of Shares or Deposited Securities specified in such Sections.

SECTION 1.02 Central Bank.

The term “Central Bank” shall mean the Banco Central do Brasil or any successor governmental agency in Brazil.

SECTION 1.03 Commission.

The term “Commission” shall mean the Securities and Exchange Commission of the United States or any successor governmental agency in the United States.

SECTION 1.04 Company.

The term “Company” shall mean Petróleo Brasileiro S.A. - PETROBRAS, a company incorporated under the laws of the Federative Republic of Brazil, and its successors.

SECTION 1.05 Custodian.

The term “Custodian” shall mean the principal São Paulo office of Itaú Unibanco S.A., as agent of the Depository for the purposes of this Deposit Agreement, or any other firm or corporation which may hereafter be appointed by the Depository pursuant to the terms of Section 5.05, as substitute custodian hereunder.

SECTION 1.06 CVM.

The term “CVM” shall mean the Comissão de Valores Mobiliários, the Brazilian National Securities Commission, or any successor governmental agency in Brazil.

SECTION 1.07 Deliver; Surrender.

(a) The term “deliver”, or its noun form, when used with respect to Shares or other Deposited Securities, shall mean (i) book-entry transfer of those Shares or other Deposited Securities to an account maintained by an institution authorized under applicable law to effect transfers of such securities designated by the person entitled to that delivery or (ii) physical transfer of certificates evidencing those Shares or other Deposited Securities registered in the name of, or duly endorsed or accompanied by proper instruments of transfer to, the person entitled to that delivery.

(b) The term “deliver”, or its noun form, when used with respect to American Depositary Shares, shall mean (i) book-entry transfer of American Depositary Shares to an account at DTC designated by the person entitled to such delivery, evidencing American Depositary Shares registered in the name requested by that person, (ii) registration of American Depositary Shares not evidenced by a Receipt on the books of the Depository in the name requested by the person entitled to such delivery and mailing to that person of a statement confirming that registration or (iii) if requested by the person entitled to such delivery, delivery at the Corporate Trust Office of the Depository to the person entitled to such delivery of one or more Receipts.

(c) The term “surrender”, when used with respect to American Depositary Shares, shall mean (i) one or more book-entry transfers of American Depositary Shares to the DTC account of the Depository, (ii) delivery to the Depository at its Corporate Trust Office of an instruction to surrender American Depositary Shares not evidenced by a Receipt or (iii) surrender to the Depository at its Corporate Trust Office of one or more Receipts evidencing American Depositary Shares.

SECTION 1.08 Deposit Agreement.

The term “Deposit Agreement” shall mean this Amended and Restated Deposit Agreement, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.09 Depository; Corporate Trust Office.

The term “Depository” shall mean The Bank of New York Mellon, a New York banking corporation, and any successor as depository hereunder. The term “Corporate Trust Office”, when used with respect to the Depository, shall mean the office of the Depository which at the date of this Deposit Agreement is 101 Barclay Street, New York, New York 10286.

SECTION 1.10 Deposited Securities.

The term “Deposited Securities” as of any time shall mean Shares at such time deposited or deemed to be deposited under this Deposit Agreement, including without limitation Shares that have not been successfully delivered upon surrender of American Depositary Shares, and any and all other securities, property and cash received by the Depository or the Custodian in respect thereof and at such time held under this Deposit Agreement, subject as to cash to the provisions of Section 4.05.

SECTION 1.11 Dollars.

The term “Dollars” shall mean United States dollars.

SECTION 1.12 DTC.

The term “DTC” shall mean The Depository Trust Company or its successor.

SECTION 1.13 Foreign Registrar.

The term “Foreign Registrar” shall mean the entity that presently carries out the duties of registrar for the Shares or any successor as registrar for the Shares and any other agent of the Company for the transfer and registration of Shares including, without limitation, any securities depository for the Shares.

SECTION 1.14 Holder.

The term “Holder” shall mean any person holding a Receipt or a security entitlement or other interest in American Depositary Shares, whether for its own account or for the account of another person, but that is not the Owner of that Receipt or those American Depositary Shares.

SECTION 1.15 Owner.

The term “Owner” shall mean the person in whose name American Depositary Shares are registered on the books of the Depository maintained for such purpose.

SECTION 1.16 Receipts.

The term “Receipts” shall mean the American Depositary Receipts issued hereunder evidencing certificated American Depositary Shares, as the same may be amended from time to time in accordance with the provisions hereof.

SECTION 1.17 Registrar.

The term “Registrar” shall mean any bank or trust company having an office in the Borough of Manhattan, The City of New York, that is appointed by the Depositary to register American Depositary Shares and transfers of American Depositary Shares as herein provided.

SECTION 1.18 Restricted Securities.

The term “Restricted Securities” shall mean Shares, or American Depositary Shares representing Shares, that are acquired directly or indirectly from the Company or its affiliates (as defined in Rule 144 under the Securities Act of 1933) in a transaction or chain of transactions not involving any public offering, or that are subject to resale limitations under Regulation D under the Securities Act of 1933 or both, or which are held by an officer, director (or persons performing similar functions) or other affiliate of the Company, or that would require registration under the Securities Act of 1933 in connection with the offer and sale thereof in the United States, or that are subject to other restrictions on sale or deposit under the laws of the United States or Brazil, or under a shareholder agreement or the articles of association or similar document of the Company.

SECTION 1.19 Securities Act of 1933.

The term “Securities Act of 1933” shall mean the United States Securities Act of 1933, as from time to time amended.

SECTION 1.20 Shares.

The term “Shares” shall mean preferred shares of the Company that are validly issued and outstanding and fully paid, nonassessable and that were not issued in violation of any pre-emptive or similar rights of the holders of outstanding securities of the Company; provided , however , that, if there shall occur any change in nominal value, a split-up or consolidation or any other reclassification or, upon the occurrence of an event described in Section 4.08, an exchange or conversion in respect of the Shares of the Company, the term “Shares” shall thereafter also mean the successor securities resulting from such change in nominal value, split-up or consolidation or such other reclassification or such exchange or conversion.

ARTICLE 2. FORM OF RECEIPTS, DEPOSIT OF SHARES, DELIVERY, TRANSFER AND SURRENDER OF AMERICAN DEPOSITARY SHARES

SECTION 2.01 Form of Receipts; Registration and Transferability of American Depositary Shares.

The Receipts shall be substantially in the form set forth in Exhibit A annexed to this Deposit Agreement, with appropriate insertions, modifications and omissions, as hereinafter provided. No Receipt shall be entitled to any benefits under this Deposit Agreement or be valid or obligatory for any purpose, unless such Receipt shall have been (i) executed by the Depositary by the manual signature of a duly authorized officer of the Depositary or (ii) executed by the facsimile signature of a duly authorized officer of the Depositary and countersigned by the manual signature of a duly authorized signatory of the Depositary or a Registrar. The Depositary shall maintain books on which (x) each Receipt so executed and delivered as hereinafter provided and the transfer of each such Receipt shall be registered and (y) all American Depositary Shares delivered as hereinafter provided and all registrations of transfer of American Depositary Shares shall be registered. A Receipt bearing the facsimile signature of a person that was at any time of execution a proper officer of the Depositary shall, subject to the other provisions of this paragraph, bind the Depositary, notwithstanding that such person was not a proper officer of the Depositary on the date of delivery of that Receipt.

The Receipts may be endorsed with or have incorporated in the text thereof such legends or recitals or modifications not inconsistent with the provisions of this Deposit Agreement as may be reasonably required by the Depositary or required to comply with any applicable law or regulations thereunder or with the rules and regulations of any securities exchange upon which American Depositary Shares may be listed or to conform with any usage with respect thereto, or to indicate any special limitations or restrictions to which any particular Receipts are subject by reason of the date of issuance of the underlying Deposited Securities or otherwise.

American Depositary Shares evidenced by a Receipt, when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in this Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under this Deposit Agreement to any holder of American Depositary Shares unless that holder is the Owner of those American Depositary Shares.

SECTION 2.02 Deposit of Shares.

Subject to the terms and conditions of this Deposit Agreement, Shares or evidence of rights to receive Shares may be deposited by delivery thereof to the Custodian hereunder, accompanied by any appropriate instruments or instructions for transfer, or endorsement, in form satisfactory to the Custodian, together with all such certifications as may be required by the Depository or the Custodian in accordance with the provisions of this Deposit Agreement, and, if the Depository requires, together with a written order directing the Depository to deliver to, or upon the written order of, the person or persons stated in such order, the number of American Depositary Shares representing such deposit.

No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depository that any necessary approval has been granted by any governmental body in Brazil that is then performing the function of the regulation of currency exchange. If required by the Depository, Shares presented for deposit at any time, whether or not the transfer books of the Company or the Foreign Registrar, if applicable, are closed, shall also be accompanied by an agreement or assignment, or other instrument satisfactory to the Depository, which will provide for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional Shares or to receive other property which any person in whose name the Shares are or have been recorded may thereafter receive upon or in respect of such deposited Shares, or in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depository.

Deposited Securities shall be held by the Depository or by the Custodian for the account and to the order of the Depository or at such other place or places as the Depository shall determine.

SECTION 2.03 Delivery of American Depositary Shares.

Upon receipt by the Custodian of any deposit pursuant to Section 2.02 hereunder, together with the other documents required as specified above, the Custodian shall notify the Depository of such deposit and the person or persons to whom or upon whose written order American Depositary Shares are deliverable in respect thereof and the number of American Depositary Shares to be so delivered. Such notification shall be made by letter or, at the request, risk and expense of the person making the deposit, by cable, telex or facsimile transmission (and in addition, if the transfer books of the Company or the Foreign Registrar, if applicable, are open, the Depository may in its sole discretion require a proper acknowledgment or other evidence from the Company or the Foreign Registrar that any Deposited Securities have been recorded upon the books of the Company or the Foreign Registrar, if applicable, in the name of the Depository or its nominee or the Custodian or its nominee). Upon receiving such notice from such Custodian, or upon the receipt of Shares or evidence of the right to receive Shares by the Depository, the Depository, subject to the terms and conditions of this Deposit Agreement, shall deliver, to or upon the order of the person or persons entitled thereto, the number of American Depositary Shares issuable in respect of that deposit, but only upon payment to the Depository of the fees and expenses of the Depository for the delivery of such American Depositary Shares as provided in Section 5.09, and payment of all taxes and governmental charges and fees payable in connection with such deposit and the transfer of the Deposited Securities. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder.

SECTION 2.04 Registration of Transfer of American Depositary Shares; Combination and Split-up of Receipts; Interchange of Certificated and Uncertificated American Depositary Shares.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall register transfers of American Depositary Shares on its transfer books from time to time, upon (i) in the case of certificated American Depositary Shares, surrender of the Receipt evidencing those American Depositary Shares, by the Owner in person or by a duly authorized attorney, properly endorsed or accompanied by proper instruments of transfer or (ii) in the case of uncertificated American Depositary Shares, receipt from the Owner of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10), and, in either case, duly stamped as may be required by the laws of the State of New York and of the United States of America. Thereupon the Depositary shall deliver those American Depositary Shares to or upon the order of the person entitled thereto.

The Depositary, subject to the terms and conditions of this Deposit Agreement, shall upon surrender of a Receipt or Receipts for the purpose of effecting a split-up or combination of such Receipt or Receipts, execute and deliver a new Receipt or Receipts for any authorized number of American Depositary Shares requested, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered.

The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the owner of the same number of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting registration of transfers of American Depositary Shares and combinations and split-ups of Receipts at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by Owners or persons entitled to American Depositary Shares and will be entitled to protection and indemnity to the same extent as the Depositary.

SECTION 2.05 Surrender of American Depositary Shares and Withdrawal of Deposited Securities.

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares for the purpose of withdrawal of the Deposited Securities represented thereby, and upon payment to the Depositary of the fee for the surrender of American Depositary Shares, as provided in Section 5.09, and payment of all taxes and governmental charges payable in connection with such surrender and withdrawal of the Deposited Securities, and subject to the terms and conditions of this Deposit Agreement, the Owner of those American Depositary Shares shall be entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Such delivery shall be made, as hereinafter provided, without unreasonable delay. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the Owner or Holder and is not receiving delivery of the Deposited Securities.

A Receipt surrendered for such purposes may be required by the Depositary to be properly endorsed in blank or accompanied by proper instruments of transfer in blank. The Depositary may require the surrendering Owner to execute and deliver to the Depositary a written order directing the Depositary to cause the Deposited Securities being withdrawn to be delivered to or upon the written order of a person or persons designated in such order. Thereupon the Depositary shall direct the Custodian to deliver at the office of the Custodian, subject to Sections 2.06, 3.01 and 3.02 and to the other terms and conditions of this Deposit Agreement, to or upon the written order of the person or persons designated in the order delivered to the Depositary as above provided, the amount of Deposited Securities represented by the surrendered American Depositary Shares, except that the Depositary may make delivery to such person or persons at the Corporate Trust Office of the Depositary of any dividends or distributions with respect to the Deposited Securities represented by those American Depositary Shares, or of any proceeds of sale of any dividends, distributions or rights, which may at the time be held by the Depositary.

At the request, risk and expense of any Owner so surrendering American Depositary Shares, and for the account of such Owner, the Depositary shall direct the Custodian to forward any cash or other property (other than rights) comprising, and forward a certificate or certificates, if applicable, and other proper documents of title for, the Deposited Securities represented by the surrendered American Depositary Shares to the Depositary for delivery at the Corporate Trust Office of the Depositary. Such direction shall be given by letter or, at the request, risk and expense of such Owner, by cable, telex or facsimile transmission.

Neither the Depositary nor the Custodian shall deliver Shares (other than to the Company or its agent as contemplated by Section 4.08), or otherwise permit Shares to be withdrawn from the facility created hereby, except upon the surrender of American Depositary Shares or in connection with a sale permitted under, and subject to the provisions of, Section 3.02, 4.03, 4.11 or 6.02.

SECTION 2.06 Limitations on Delivery, Transfer and Surrender of American Depositary Shares.

As a condition precedent to the delivery, registration of transfer or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, Custodian or Registrar may require payment from the depositor of Shares or the presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as herein provided, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of this Deposit Agreement, including, without limitation, this Section 2.06.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of this Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in this Deposit Agreement, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under this Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933 for public offer and sale in the United States unless a registration statement is in effect as to such Shares for such offer and sale.

SECTION 2.07 Lost Receipts, etc.

In case any Receipt shall be mutilated, destroyed, lost or stolen, the Depositary shall deliver to the Owner the American Depositary Shares evidenced by that Receipt in uncertificated form or, if requested by the Owner, execute and deliver a new Receipt of like tenor in exchange and substitution for such mutilated Receipt, upon cancellation thereof, or in lieu of and in substitution for such destroyed, lost or stolen Receipt. Before the Depositary shall deliver American Depositary Shares in uncertificated form or execute and deliver a new Receipt, in substitution for a destroyed, lost or stolen Receipt, the Owner thereof shall have (a) filed with the Depositary (i) a request for such execution and delivery before the Depositary has notice that the Receipt has been acquired by a bona fide purchaser and (ii) a sufficient indemnity bond and (b) satisfied any other reasonable requirements imposed by the Depositary.

SECTION 2.08 Cancellation and Destruction of Surrendered Receipts.

All Receipts surrendered to the Depositary shall be cancelled by the Depositary. The Depositary is authorized to destroy Receipts so cancelled.

SECTION 2.09 Pre-Release of American Depositary Shares.

Notwithstanding Section 2.03 hereof, unless requested in writing by the Company to cease doing so, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.02 (a "Pre-Release"). The Depositary may, pursuant to Section 2.05, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered (a "Pre-Releasee"), that such person, or its customer, (i) owns the Shares or American Depositary Shares to be remitted, as the case may be, (ii) transfers all beneficial right, title and interest in such Shares or American Depositary Shares, as the case may be, to the Depositary in its capacity as such and for the benefit of the Owners, and (iii) will not take any action with respect to such Shares or American Depositary Shares, as the case may be, that is inconsistent with the transfer of ownership (including, without the consent of the Depositary, disposing of Shares or American Depositary Shares, as the case may be, other than in satisfaction of such Pre-Release), (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares represented by American Depositary Shares which are outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided , however , that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. For purposes of enabling the Depositary to fulfill its obligations to the Owners under the Agreement, the collateral referred to in clause (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee's obligations to the Depositary in connection with a Pre-Release transaction, including the Pre-Releasee's obligation to deliver Shares or American Depositary Shares upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities hereunder).

The Depository may retain for its own account any compensation received by it in connection with the foregoing.

SECTION 2.10 DTC Direct Registration System and Profile Modification System.

(a) Notwithstanding the provisions of Section 2.04, the parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depository may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depository to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner of American Depositary Shares, to direct the Depository to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depository of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting a registration of transfer and delivery as described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 shall apply to the matters arising from the use of the DRS. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile System and in accordance with this Deposit Agreement shall not constitute negligence or bad faith on the part of the Depository.

ARTICLE 3. CERTAIN OBLIGATIONS OF OWNERS AND HOLDERS OF AMERICAN DEPOSITARY SHARES

SECTION 3.01 Filing Proofs, Certificates and Other Information.

Any person presenting Shares for deposit or any Owner or holder may be required from time to time to file with the Depository or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depository may deem necessary or proper. The Depository may withhold the delivery or registration of transfer of American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made.

SECTION 3.02 Liability of Owner for Taxes.

If any tax or other governmental charge imposed under applicable law shall become payable by the Custodian or the Depository with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be payable by the Owner of such American Depositary Shares to the Depository. The Depository may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner thereof any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner of such American Depositary Shares shall remain liable for any deficiency.

SECTION 3.03 Warranties on Deposit of Shares.

Every person depositing Shares under this Deposit Agreement shall be deemed thereby to represent and warrant that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any preemptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of American Depositary Shares representing such Shares by that person are not restricted under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and delivery of American Depositary Shares.

SECTION 3.04 Delivery of Information to the CVM and the Central Bank.

Each of the Depositary and the Company hereby confirms to the other that for as long as this Deposit Agreement is in effect, it shall furnish the CVM and the Central Bank, at any time and within the period that may be determined, with any information and documents related to the American Depositary Share program and the American Depositary Shares issued hereunder. In the event that the Depositary or the Custodian shall be advised in writing by reputable independent Brazilian counsel that the Depositary or Custodian reasonably could be subject to criminal, or material, as reasonably determined by the Depositary, civil, liabilities as a result of the Company having failed to provide such information or documents reasonably available only through the Company, the Depositary shall have the right to terminate this Deposit Agreement, upon at least 30 days' prior notice to the Owners and the Company, and the Depositary shall not be subject to any liability hereunder on account of such termination or such determination.

ARTICLE 4. THE DEPOSITED SECURITIES

SECTION 4.01 Cash Distributions.

Whenever the Depositary shall receive any cash dividend or other cash distribution on any Deposited Securities, the Depositary shall, subject to the provisions of Section 4.05, convert such dividend or distribution into Dollars and shall, as promptly as practicable, distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Section 5.09) to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively. The Depositary shall distribute only such amount, however, as can be distributed without attributing to any Owner a fraction of one cent. Any such fractional amounts shall be rounded to the nearest whole cent and so distributed to Owners entitled thereto. Notwithstanding the foregoing, in the event that the Company, the Custodian or the Depositary shall be required by applicable law to withhold and does withhold from such cash dividend or such other cash distribution an amount on account of taxes or other governmental charges, the amount distributed to the Owner of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly. The applicable withholding agent (or its agent) will remit to the appropriate governmental agency all amounts so withheld and owing to such agency. The Depositary shall, as promptly as practicable, forward to the Company or its agent such information from its records as the Company may reasonably request to enable the Company or its agent to file necessary reports with governmental agencies, and the Depositary or the Company or its agent may file any such reports necessary to obtain benefits under the applicable tax treaties for the Owners.

SECTION 4.02

Distributions Other Than Cash, Shares or Rights.

Subject to the provisions of Sections 4.11 and 5.09, whenever the Depositary shall receive any distribution other than a distribution described in Section 4.01, 4.03 or 4.04, the Depositary shall cause the securities or property received by it to be distributed to the Owners entitled thereto, after deduction or upon payment of any fees and expenses of the Depositary or any taxes or other governmental charges imposed under applicable law, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided, however, that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners entitled thereto, or if for any other reason (including, but not limited to, any requirement under applicable law that the Company or the Depositary withhold an amount on account of taxes or other governmental charges or that such securities must be registered under the Securities Act of 1933 in order to be distributed to Owners or holders) the Depositary deems such distribution not to be practicable, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Section 5.09) shall be distributed by the Depositary to the Owners entitled thereto, all in the manner and subject to the conditions described in Section 4.01. The Depositary may withhold any distribution of securities under this Section 4.02 if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Section 4.02 that is sufficient to pay its fees and expenses in respect of that distribution.

SECTION 4.03 Distributions in Shares.

If any distribution upon any Deposited Securities consists of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, in proportion to the number of American Depositary Shares representing such Deposited Securities held by them respectively, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 and the payment of the fees and expenses of the Depositary as provided in Section 5.09 (and the Depositary may sell, by public or private sale, an amount of the Shares received sufficient to pay its fees and expenses in respect of that distribution). For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. The Depositary may withhold any such delivery of American Depositary Shares if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary shall sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds of any sale of that kind as a cash distribution to the Owners, all in the manner and subject to the conditions described in Section 4.01. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

SECTION 4.04 Rights.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after consultation with the Company, shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner hereunder, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of this Deposit Agreement, and shall, pursuant to Section 2.03 of this Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Section, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines based on advice of its legal counsel that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary, as provided in Section 5.09, and all taxes and governmental charges payable in connection with such rights, and subject to the terms and conditions of this Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise. . For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the Owner or Holder.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in this Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

SECTION 4.05 Conversion of Foreign Currency.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the reasonable judgment of the Depositary be converted into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation, except that the Depositary may delay conversion of foreign currency for so long as, in its reasonable judgment, market conditions will not permit that conversion to be carried out on a reasonable basis. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. Such distribution may be made upon an averaged or other reasonably practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09.

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any, as it may deem desirable.

If at any time the Depositary shall determine that in its reasonable judgment any foreign currency received by the Depositary or the Custodian is not convertible into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the reasonable judgment of the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary in its reasonable judgment, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

SECTION 4.06 Fixing of Record Date.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date applicable to the Deposited Securities, (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee or charge assessed by the Depositary pursuant to this Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares. Subject to the provisions of Sections 4.01 through 4.05 and to the other terms and conditions of this Deposit Agreement, the Owners on such record date shall be entitled, as the case may be, to receive the amount distributable by the Depositary with respect to such dividend or other distribution or such rights or the net proceeds of sale thereof in proportion to the number of American Depositary Shares held by them respectively and to give voting instructions and to act in respect of any other such matter.

SECTION 4.07 Voting of Deposited Securities.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities at which holders of Deposited Securities are entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the Owners a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of Brazilian law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given. Upon the written request of an Owner of American Depositary Shares on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor, in so far as practicable, to vote or cause to be voted the amount of Shares or other Deposited Securities represented by those American Depositary Shares in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions. For the avoidance of doubt, if the Depositary timely receives from an Owner instructions which fail to specify the manner in which the Depositary is to vote, the amount of Deposited Securities represented by such Owner's American Depositary Shares shall not be voted. Similarly, the amount of Deposited Securities represented by American Depositary Shares for which instructions were not timely received by the Depositary shall not be voted.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the instruction cutoff date to enable Owners to give voting instructions to the Depositary by the instruction cutoff date.

In order to give Owners a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if the Company will request the Depositary to act under this Section 4.07, the Company shall give the Depositary notice of any such meeting and details concerning the matters to be voted upon not less than 30 days prior to the meeting date.

Without limiting any of the foregoing, to the extent the Depositary does not receive voting instructions from Owners, the Depositary shall take such actions as are necessary, upon the written request of the Company and subject to applicable law and the terms of the Deposited Securities, to cause the amount of Shares represented by American Depositary Shares of those Owners to be counted for the purpose of satisfying applicable quorum requirements.

SECTION 4.08 Changes Affecting Deposited Securities.

Upon any change in nominal value, change in par value, split-up, consolidation or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depositary or the Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities, shall be treated as new Deposited Securities under this Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional American Depositary Shares are delivered pursuant to the following sentence. In any such case the Depositary may deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

SECTION 4.09 Reports.

The Depositary shall make available for inspection by Owners at its Corporate Trust Office any reports and communications, including any proxy solicitation material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary shall also, upon written request by the Company, send to the Owners copies of such reports when furnished by the Company pursuant to Section 5.06. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English, to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

SECTION 4.10 Lists of Owners.

The Depositary shall, as of the close of each calendar quarter, and as of any other date upon the written request of the Company, furnish to it a list of the full registered names, addresses and holdings of American Depositary Shares by all Owners.

SECTION 4.11 Withholding.

In the event that the Depositary determines in its reasonable judgment that any distribution of property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold under applicable law, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes or charges and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners entitled thereto in proportion to the number of American Depositary Shares held by them respectively.

ARTICLE 5. THE DEPOSITARY, THE CUSTODIAN AND THE COMPANY

SECTION 5.01 Maintenance of Office and Transfer Books by the Depositary.

Until termination of this Deposit Agreement in accordance with its terms, the Depositary shall maintain in the Borough of Manhattan, The City of New York, facilities for the execution and delivery, registration, registration of transfers and surrender of American Depositary Shares in accordance with the provisions of this Deposit Agreement.

The Depositary shall keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to this Deposit Agreement or the American Depositary Shares.

The Depositary may close the transfer books, at any time or from time to time, when deemed expedient by it in connection with the performance of its duties hereunder.

If any American Depositary Shares are listed on one or more stock exchanges in the United States, the Depositary shall act as Registrar or appoint a Registrar or one or more co-registrars for registry of such American Depositary Shares in accordance with any requirements of such exchange or exchanges.

SECTION 5.02 Prevention or Delay in Performance by the Depositary or the Company.

Neither the Depositary nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or Holder (i) if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority or stock exchange, or by reason of any provision, present or future, of the articles of association or similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depositary or the Company shall be prevented, delayed or forbidden from, or be subject to any civil or criminal penalty on account of, doing or performing any act or thing which by the terms of this Deposit Agreement or the Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of this Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in this Deposit Agreement, (iv) for the inability of any Owner or holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of this Deposit Agreement, made available to Owners or holders, or (v) for any special, consequential or punitive damages for any breach of the terms of this Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03, or an offering or distribution pursuant to Section 4.04, or for any other reason, such distribution or offering may not be made available to Owners, and the Depositary may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depositary shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse.

SECTION 5.03 Obligations of the Depositary, the Custodian and the Company.

The Company assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder, except that the Company agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

The Depositary assumes no obligation nor shall it be subject to any liability under this Deposit Agreement to any Owner or Holder (including, without limitation, liability with respect to the validity or worth of the Deposited Securities), except that the Depositary agrees to perform its obligations specifically set forth in this Deposit Agreement without negligence or bad faith.

Neither the Depositary nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares on behalf of any Owner or Holder or any other person.

Neither the Depositary nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or any other person believed by it in good faith to be competent to give such advice or information.

The Depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary.

The Depositary shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise.

The Depositary shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of this Deposit Agreement.

SECTION 5.04 Resignation and Removal of the Depositary.

The Depositary may at any time resign as Depositary hereunder by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

The Depositary may at any time be removed by the Company by 60 days prior written notice of such removal, to become effective upon the later of (i) the 60th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as hereinafter provided.

In case at any time the Depositary acting hereunder shall resign or be removed, the Company shall use its best efforts to appoint a successor depositary, which shall be a bank or trust company having an office in the Borough of Manhattan, The City of New York. Every successor depositary shall execute and deliver to its predecessor and to the Company an instrument in writing accepting its appointment hereunder, and thereupon such successor depositary, without any further act or deed, shall become fully vested with all the rights, powers, duties and obligations of its predecessor; but such predecessor, nevertheless, upon payment of all sums due it and on the written request of the Company shall execute and deliver an instrument transferring to such successor all rights and powers of such predecessor hereunder, shall duly assign, transfer and deliver all right, title and interest in the Deposited Securities to such successor and shall deliver to such successor a list of the Owners of all outstanding American Depositary Shares. Any such successor depositary shall promptly mail notice of its appointment to the Owners.

The Depositary may not assign this Deposit Agreement in whole or in part, provided that any corporation into or with which the Depositary may be merged or consolidated shall be the successor of the Depositary without the execution or filing of any document or any further act.

SECTION 5.05 The Custodian.

The Custodian or its successor shall be subject at all times and in all respects to the directions of the Depositary and shall be responsible solely to it. The Custodian may resign and be discharged from its duties hereunder by written notice of such resignation delivered to the Depositary at least 30 days prior to the date on which such resignation is to become effective. The Depositary shall, promptly after receiving such notice, appoint a substitute custodian, which shall thereafter be the Custodian hereunder. The Depositary may discharge the Custodian any time upon notice to the Custodian being discharged. The Depositary may in its discretion appoint a substitute custodian, which shall thereafter be the Custodian hereunder. Upon demand of the Depositary, the Custodian shall deliver such of the Deposited Securities or evidence of ownership and title of the Deposited Securities held by it as are requested of it to the substitute custodian. The Depositary agrees with the Company that at no time shall there be more than one Custodian acting in connection with this Deposit Agreement.

Upon the appointment of any successor depositary hereunder, the Custodian then acting hereunder shall forthwith become, without any further act or writing, the agent hereunder of such successor depositary and the appointment of such successor depositary shall in no way impair the authority of the Custodian hereunder; but the successor depositary so appointed shall, nevertheless, on the written request of the Custodian, execute and deliver to the Custodian all such instruments as may be proper to give to the Custodian full and complete power and authority as agent hereunder of such successor depositary.

SECTION 5.06 Notices and Reports.

On or before the first date on which the Company gives notice, by publication or otherwise, of any meeting of holders of Shares or other Deposited Securities, or of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights, the Company agrees to transmit to the Depositary and the Custodian a copy of the notice thereof in the form given or to be given to holders of Shares or other Deposited Securities.

The Company will arrange for the translation into English, if not already in English, to the extent required pursuant to any regulations of the Commission, and the prompt transmittal by the Company to the Depositary and the Custodian of such notices and any other reports and communications which are made generally available by the Company to holders of its Shares. If requested in writing by the Company, the Depositary will arrange for the mailing, at the Company's expense (unless otherwise agreed in writing between the Company and the Depositary), of copies of such notices, reports and communications to all Owners. The Company will timely provide the Depositary with the quantity of such notices, reports, and communications, as requested by the Depositary from time to time, in order for the Depositary to effect such mailings.

SECTION 5.07 Distribution of Additional Shares, Rights, etc.

If the Company or any affiliate of the Company determines to make any issuance or distribution of (1) additional Shares, (2) rights to subscribe for Shares, (3) securities convertible into Shares, or (4) rights to subscribe for such securities (each a "Distribution"), the Company shall notify the Depositary in writing in English as promptly as practicable and in any event before the Distribution starts and, if reasonably requested in writing by the Depositary in the case of a Distribution of securities that are not registered under the Securities Act of 1933, the Company shall promptly furnish to the Depositary a written opinion from U.S. counsel for the Company that is reasonably satisfactory to the Depositary, stating whether or not the Distribution requires, or, if made in the United States, would require, registration under the Securities Act of 1933.

The Company agrees with the Depositary that neither the Company nor any company controlled by, controlling or under common control with the Company will at any time deposit any Shares, either originally issued or previously issued and reacquired by the Company or any such affiliate, unless a Registration Statement is in effect as to such Shares under the Securities Act of 1933 or the Company delivers to the Depositary an opinion of United States counsel for the Company, which counsel shall be reasonably satisfactory to the Depositary, to the effect that, upon deposit, such Shares may be publicly offered and sold by the holder thereof in the United States without further registration of such Shares under the Securities Act of 1933.

SECTION 5.08 Indemnification.

The Company agrees to indemnify the Depositary, its directors, employees, agents and affiliates and the Custodian against, and hold each of them harmless from, any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) which may arise out of or in connection with (i) any registration with the Commission of American Depositary Shares or Deposited Securities or the offer or sale thereof in the United States, except for any liability or expense arising out of information relating to the Depositary or the Custodian furnished in writing by the Depositary for use in a prospectus and not changed by the Company or, if information of that kind is furnished, the failure to state a material fact necessary to make the information provided not misleading (it being understood and agreed that the Depositary has not furnished any information of that kind) or (ii) acts performed or omitted, pursuant to the provisions of or in connection with this Deposit Agreement and of the Receipts, as the same may be amended, modified or supplemented from time to time, (A) by either the Depositary, its directors, employees, agents and affiliates or the Custodian, except for any liability or expense arising out of the negligence or bad faith of either of them, or (B) by the Company or any of its directors, employees, agents and affiliates.

The indemnities contained in the preceding paragraph shall not extend to any liability or expense to the extent such liability or expense arises solely and exclusively out of a Pre-Release (as defined in Section 2.09) of American Depositary Shares in accordance with Section 2.09 and which would not otherwise have arisen had those American Depositary Shares not been the subject of a Pre-Release pursuant to Section 2.09; provided , however , that the indemnities provided in the preceding paragraph shall apply to any such liability or expense (i) to the extent that such liability or expense would have arisen had those American Depositary Shares not be the subject of a Pre-Release, or (ii) which may arise out of any misstatement or alleged misstatement or omission or alleged omission in any registration statement, proxy statement, prospectus (or placement memorandum), or preliminary prospectus (or preliminary placement memorandum) relating to the offer or sale of American Depositary Shares, except to the extent any such liability or expense arises out of (x) information relating to the Depositary or any Custodian (other than the Company), as applicable, furnished in writing and not materially changed or altered by the Company expressly for use in any of the foregoing documents, or, (y) if such information is provided, the failure to state a material fact necessary to make the information provided not misleading.

The Depositary agrees to indemnify the Company, its directors, employees, agents and affiliates and hold them harmless from any liability or expense (including, but not limited to any fees and expenses incurred in seeking, enforcing or collecting such indemnity and the reasonable fees and expenses of counsel) which may arise out of acts performed or omitted by the Depositary or the Custodian or their respective directors, employees, agents and affiliates due to their negligence or bad faith.

Any person seeking indemnification hereunder (an “Indemnified Person”) shall notify the person from whom it is seeking indemnification (the “Indemnifying Person”) of the commencement of any indemnifiable action or claim promptly after such Indemnified Person becomes aware of such commencement (provided that the failure to make such notification shall not affect such Indemnified Person’s rights to seek indemnification except to the extent such failure results in the forfeiture of substantive rights or defenses of the Indemnifying Person) and shall consult in good faith with the Indemnifying Person as to the conduct of the defense of such action or claim that may give rise to an indemnity hereunder, which defense shall be reasonable under the circumstances. No Indemnified Person shall compromise or settle any action or claim that may give rise to an indemnity hereunder without the written consent of the Indemnifying Person, which consent shall not be unreasonably withheld or delayed.

The obligations set forth in this Section 5.08 shall survive the termination of this Deposit Agreement and the succession or substitution of any person indemnified hereby.

SECTION 5.09 Charges of Depositary.

The Company agrees to pay the fees and out-of-pocket expenses of the Depositary and those of any Registrar only in accordance with agreements in writing entered into between the Depositary and the Company from time to time.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals hereunder, (3) such cable, telex and facsimile transmission expenses as are expressly provided in this Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to this Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 hereof, (7) a fee for the distribution of securities pursuant to Section 4.02, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.02 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary, subject to Section 2.09 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

SECTION 5.10 Retention of Depositary Documents.

The Depositary is authorized to destroy those documents, records, bills and other data compiled during the term of this Deposit Agreement at the times permitted by the laws or regulations governing the Depositary unless the Company requests that such papers be retained for a longer period or turned over to the Company or to a successor depositary.

SECTION 5.11 Exclusivity.

Without prejudice to the Company's right to remove the Depositary under Section 5.04, the Company agrees not to appoint any other depositary for issuance of American or global depositary shares or receipts so long as The Bank of New York Mellon is acting as Depositary hereunder.

SECTION 5.12 List of Restricted Securities Owners.

From time to time, the Company shall provide to the Depositary a list setting forth, to the actual knowledge of the Company, those persons or entities who beneficially own Restricted Securities and the Company shall update that list on a regular basis. The Company agrees to advise in writing each of the persons or entities so listed that such Restricted Securities are ineligible for deposit hereunder. The Depositary may rely on such a list or update but shall not be liable for any action or omission made in reliance thereon.

SECTION 5.13 Listing.

So long as any American Depositary Shares are listed or admitted to trading on a stock exchange or another trading platform, the Depositary shall use reasonable efforts to comply with reasonable requests of the Company required to enable the Company to comply with listing rules of the respective stock exchange or trading platform.

ARTICLE 6. AMENDMENT AND TERMINATION

SECTION 6.01 Amendment.

The form of the Receipts and any provisions of this Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and holder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

SECTION 6.02 Termination.

The Company may at any time terminate this Deposit Agreement by instructing the Depositary to mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate this Deposit Agreement if at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in Section 5.04; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under this Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in this Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges).

At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under this Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it hereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under this Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of this Deposit Agreement, and any applicable taxes or governmental charges. Upon the termination of this Deposit Agreement, the Company shall be discharged from all obligations under this Deposit Agreement except for its obligations to the Depositary under Sections 5.08 and 5.09.

ARTICLE 7. MISCELLANEOUS

SECTION 7.01 Counterparts.

This Deposit Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of such counterparts shall constitute one and the same instrument. Copies of this Deposit Agreement shall be filed with the Depositary and the Custodian and shall be open to inspection by any Owner or Holder during business hours.

SECTION 7.02 No Third Party Beneficiaries.

This Deposit Agreement is for the exclusive benefit of the parties hereto and shall not be deemed to give any legal or equitable right, remedy or claim whatsoever to any other person.

SECTION 7.03 Severability.

In case any one or more of the provisions contained in this Deposit Agreement or in the Receipts should be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein or therein shall in no way be affected, prejudiced or disturbed thereby.

SECTION 7.04 Owners and Holders as Parties; Binding Effect.

The Owners and Holders from time to time shall be parties to this Deposit Agreement and shall be bound by all of the terms and conditions hereof and of the Receipts by acceptance of American Depositary Shares or any interest therein.

SECTION 7.05 Notices.

Any and all notices to be given to the Company shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to Petróleo Brasileiro S.A. – PETROBRAS, Avenida República do Chile 65 2202 B, Rio De Janeiro 20031-912, Brazil, Attention: Investor Relations, or any other place to which the Company may have transferred its principal office with notice to the Depository.

Any and all notices to be given to the Depository shall be deemed to have been duly given if in English and personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286, Attention: American Depositary Receipt Administration, or any other place to which the Depository may have transferred its Corporate Trust Office with notice to the Company.

Any and all notices to be given to any Owner shall be deemed to have been duly given if personally delivered or sent by mail or cable, telex or facsimile transmission confirmed by letter, addressed to such Owner at the address of such Owner as it appears on the transfer books for American Depositary Shares of the Depository, or, if such Owner shall have filed with the Depository a written request that notices intended for such Owner be mailed to some other address, at the address designated in such request.

(a) Delivery of a notice sent by mail or cable, telex or facsimile transmission shall be deemed to be effected at the time when a duly addressed letter containing the same (or a confirmation thereof in the case of a cable, telex or facsimile transmission) is deposited, postage prepaid, in a post-office letter box. The Depository or the Company may, however, act upon any cable, telex or facsimile transmission received by it, notwithstanding that such cable, telex or facsimile transmission shall not subsequently be confirmed by letter as aforesaid.

SECTION 7.06 Submission to Jurisdiction; Appointment of Agent for Service of Process; Jury Trial Waiver.

The Company hereby (i) irrevocably designates and appoints its New York office, currently located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022, in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consents and submits to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agrees that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding. The Company agrees to deliver, upon the execution and delivery of this Deposit Agreement, a written acceptance by such agent of its appointment as such agent. The Company further agrees to take any and all action, including the filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment in full force and effect for so long as any American Depositary Shares or Receipts remain outstanding or this Agreement remains in force. In the event the Company fails to continue such designation and appointment in full force and effect, the Company hereby waives personal service of process upon it and consents that any such service of process may be made by certified or registered mail, return receipt requested, directed to the Company at its address last specified for notices hereunder, and service so made shall be deemed completed five (5) days after the same shall have been so mailed.

EACH PARTY TO THIS DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THIS DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

SECTION 7.07 Waiver of Immunities.

To the extent that the Company or any of its properties, assets or revenues may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

SECTION 7.08 Governing Law.

This Deposit Agreement and the Receipts shall be interpreted and all rights hereunder and thereunder and provisions hereof and thereof shall be governed by the laws of the State of New York, except with respect to its authorization and execution by the Company, which shall be governed by the laws of Brazil.

IN WITNESS WHEREOF, PETRÓLEO BRASILEIRO S.A. - PETROBRAS and THE BANK OF NEW YORK MELLON have duly executed this Deposit Agreement as of the day and year first set forth above and all Owners and Holders shall become parties hereto upon acceptance by them of American Depositary Shares or any interest therein.

PETRÓLEO BRASILEIRO S.A. -

PETROBRAS

By: /s/ Almir Guilherme Barbassa

Name: Almir Guilherme Barbassa

Title: Chief Executive Officer

THE BANK OF NEW YORK MELLON,
as Depositary

By: /s/ Veronica Westberg

Name: Veronica Westberg

Title: Managing Director

EXHIBIT A

AMERICAN DEPOSITARY SHARES
(Each American Depositary Share represents
two deposited Shares)

THE BANK OF NEW YORK MELLON
AMERICAN DEPOSITARY RECEIPT
FOR PREFERRED SHARES
OF
PETRÓLEO BRASILEIRO S.A. - PETROBRAS
(INCORPORATED UNDER THE LAWS OF THE FEDERATIVE REPUBLIC OF BRAZIL)

The Bank of New York Mellon, as depositary (hereinafter called the "Depositary"), hereby certifies that _____, or registered assigns IS THE OWNER OF

AMERICAN DEPOSITARY SHARES

representing deposited preferred shares (herein called "Shares") of Petróleo Brasileiro S.A. - PETROBRAS, a company incorporated under the laws of the Federative Republic of Brazil (herein called the "Company"). At the date hereof, each American Depositary Share represents two Shares deposited or subject to deposit under the Deposit Agreement (as such term is hereinafter defined) at the principal São Paulo office of Itaú Unibanco S.A. (herein called the "Custodian"). The Depositary's Corporate Trust Office is located at a different address than its principal executive office. Its Corporate Trust Office is located at 101 Barclay Street, New York, N.Y. 10286, and its principal executive office is located at One Wall Street, New York, N.Y. 10286.

THE DEPOSITARY'S CORPORATE TRUST OFFICE ADDRESS IS
101 BARCLAY STREET, NEW YORK, N.Y. 10286

1. THE DEPOSIT AGREEMENT.

This American Depositary Receipt is one of an issue (herein called "Receipts"), all issued and to be issued upon the terms and conditions set forth in the Amended and Restated Deposit Agreement (Preferred Shares) dated as of January 3, 2012 (herein called the "Deposit Agreement") among the Company, the Depositary, and all Owners and Holders from time to time of American Depositary Shares issued thereunder, each of whom by accepting American Depositary Shares agrees to become a party thereto and become bound by all the terms and conditions thereof. The Deposit Agreement sets forth the rights of Owners and holders and the rights and duties of the Depositary in respect of the Shares deposited thereunder and any and all other securities, property and cash from time to time received in respect of such Shares and held thereunder (such Shares, securities, property, and cash are herein called "Deposited Securities"). Copies of the Deposit Agreement are on file at the Depositary's Corporate Trust Office in New York City and at the office of the Custodian.

The statements made on the face and reverse of this Receipt are summaries of certain provisions of the Deposit Agreement and are qualified by and subject to the detailed provisions of the Deposit Agreement, to which reference is hereby made. Capitalized terms defined in the Deposit Agreement and not defined herein shall have the meanings set forth in the Deposit Agreement.

2. SURRENDER OF AMERICAN DEPOSITARY SHARES AND WITHDRAWAL OF DEPOSITED SECURITIES .

Upon surrender at the Corporate Trust Office of the Depositary of American Depositary Shares, and upon payment to the Depositary of the fee for the surrender of American Depositary Shares as provided in Section 5.09 of the Deposit Agreement, and subject to the terms and conditions of the Deposit Agreement, the Owner of those American Depositary Shares is entitled to delivery, to him or as instructed, of the amount of Deposited Securities at the time represented by those American Depositary Shares. Such delivery will be made at the option of the Owner hereof, either at the office of the Custodian or at the Corporate Trust Office of the Depositary, provided that the forwarding of certificates for Shares or other Deposited Securities for such delivery at the Corporate Trust Office of the Depositary shall be at the risk and expense of the Owner hereof. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the Owner or Holder and is not receiving delivery of the Deposited Securities. Neither the Depositary nor the Custodian shall deliver Shares (other than to the Company or its agent as contemplated by Section 4.08 of the Deposit Agreement), or otherwise permit Shares to be withdrawn from the facility created hereby, except upon the surrender of American Depositary Shares or in connection with a sale permitted under, and subject to the provisions of, Section 3.02, 4.03, 4.11 or 6.02 of that Agreement.

3. TRANSFERS, SPLIT-UPS, AND COMBINATIONS OF RECEIPTS.

Transfers of American Depositary Shares may be registered on the books of the Depositary by the Owner in person or by a duly authorized attorney, upon surrender of those American Depositary Shares properly endorsed for transfer or accompanied by proper instruments of transfer, in the case of a Receipt, or pursuant to a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement), in the case of uncertificated American Depositary Shares, and funds sufficient to pay any applicable transfer taxes and the expenses of the Depositary and upon compliance with such regulations, if any, as the Depositary may reasonably establish for such purpose. This Receipt may be split into other such Receipts, or may be combined with other such Receipts into one Receipt, evidencing the same aggregate number of American Depositary Shares as the Receipt or Receipts surrendered. The Depositary, upon surrender of certificated American Depositary Shares for the purpose of exchanging for uncertificated American Depositary Shares, shall cancel those certificated American Depositary Shares and send the Owner a statement confirming that the Owner is the Owner of uncertificated American Depositary Shares. The Depositary, upon receipt of a proper instruction (including, for the avoidance of doubt, instructions through DRS and Profile as provided in Section 2.10 of the Deposit Agreement) from the Owner of uncertificated American Depositary Shares for the purpose of exchanging for certificated American Depositary Shares, shall cancel those uncertificated American Depositary Shares and deliver to the Owner the same number of certificated American Depositary Shares. As a condition precedent to the delivery, registration of transfer, or surrender of any American Depositary Shares or split-up or combination of any Receipt or withdrawal of any Deposited Securities, the Depositary, the Custodian, or Registrar may require payment from the depositor of Shares or presenter of the Receipt or instruction for registration of transfer or surrender of American Depositary Shares not evidenced by a Receipt of a sum sufficient to reimburse it for any tax or other governmental charge and any stock transfer or registration fee with respect thereto (including any such tax or charge and fee with respect to Shares being deposited or withdrawn) and payment of any applicable fees as provided in the Deposit Agreement, may require the production of proof satisfactory to it as to the identity and genuineness of any signature and may also require compliance with any regulations the Depositary may establish consistent with the provisions of the Deposit Agreement.

The delivery of American Depositary Shares against deposit of Shares generally or against deposit of particular Shares may be suspended, or the transfer of American Depositary Shares in particular instances may be refused, or the registration of transfer of outstanding American Depositary Shares generally may be suspended, during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or the Company at any time or from time to time because of any requirement of law or of any government or governmental body or commission, or under any provision of the Deposit Agreement, or for any other reason, subject to the provisions of the following sentence. Notwithstanding anything to the contrary in the Deposit Agreement or this Receipt, the surrender of outstanding American Depositary Shares and withdrawal of Deposited Securities may not be suspended subject only to (i) temporary delays caused by closing the transfer books of the Depositary or the Company or the Foreign Registrar, if applicable, or the deposit of Shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes and similar charges, and (iii) compliance with any U.S. or foreign laws or governmental regulations relating to the American Depositary Shares or to the withdrawal of the Deposited Securities. Without limitation of the foregoing, the Depositary shall not knowingly accept for deposit under the Deposit Agreement any Shares which would be required to be registered under the provisions of the Securities Act of 1933, unless a registration statement is in effect as to such Shares for such offer and sale.

4. LIABILITY OF OWNER FOR TAXES.

If any tax or other governmental charge shall become payable with respect to any American Depositary Shares or any Deposited Securities represented by any American Depositary Shares, such tax or other governmental charge shall be payable by the Owner to the Depositary. The Depositary may refuse to register any transfer of those American Depositary Shares or any withdrawal of Deposited Securities represented by those American Depositary Shares until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the Owner any part or all of the Deposited Securities represented by those American Depositary Shares, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the Owner shall remain liable for any deficiency.

5. WARRANTIES ON DEPOSIT OF SHARES.

Every person depositing Shares under the Deposit Agreement shall be deemed thereby to represent and warrant, that such Shares and each certificate therefor, if applicable, are validly issued, fully paid, nonassessable and free of any preemptive rights of the holders of outstanding Shares and that the person making such deposit is duly authorized so to do. Every such person shall also be deemed to represent that the deposit of such Shares and the sale of American Depositary Shares representing such Shares by that person are not restricted under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and delivery of American Depositary Shares.

6. FILING PROOFS, CERTIFICATES, AND OTHER INFORMATION.

Any person presenting Shares for deposit or any Owner or holder may be required from time to time to file with the Depositary or the Custodian such proof of citizenship or residence, exchange control approval, or such information relating to the registration on the books of the Company or the Foreign Registrar, if applicable, to execute such certificates and to make such representations and warranties, as the Depositary may deem necessary or proper. The Depositary may withhold the delivery or registration of transfer of any American Depositary Shares or the distribution of any dividend or sale or distribution of rights or of the proceeds thereof or the delivery of any Deposited Securities until such proof or other information is filed or such certificates are executed or such representations and warranties made. No Share shall be accepted for deposit unless accompanied by evidence satisfactory to the Depositary that any necessary approval has been granted by any governmental body in Brazil that is then performing the function of the regulation of currency exchange.

7. CHARGES OF DEPOSITARY.

The following charges shall be incurred by any party depositing or withdrawing Shares or by any party surrendering American Depositary Shares or to whom American Depositary Shares are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by the Company or an exchange of stock regarding the American Depositary Shares or Deposited Securities or a delivery of American Depositary Shares pursuant to Section 4.03 of the Deposit Agreement), or by Owners, as applicable: (1) taxes and other governmental charges, (2) such registration fees as may from time to time be in effect for the registration of transfers of Shares generally on the Share register of the Company or Foreign Registrar and applicable to transfers of Shares to or from the name of the Depositary or its nominee or the Custodian or its nominee on the making of deposits or withdrawals under the terms of the Deposit Agreement, (3) such cable, telex and facsimile transmission expenses as are expressly provided in the Deposit Agreement, (4) such expenses as are incurred by the Depositary in the conversion of foreign currency pursuant to Section 4.05 of the Deposit Agreement, (5) a fee of \$5.00 or less per 100 American Depositary Shares (or portion thereof) for the delivery of American Depositary Shares pursuant to Section 2.03, 4.03 or 4.04 of the Deposit Agreement and the surrender of American Depositary Shares pursuant to Section 2.05 or 6.02 of the Deposit Agreement, (6) a fee of \$.02 or less per American Depositary Share (or portion thereof) for any cash distribution made pursuant to the Deposit Agreement, including, but not limited to Sections 4.01 through 4.04 of the Deposit Agreement, (7) a fee for the distribution of securities pursuant to Section 4.02 of the Deposit Agreement, such fee being in an amount equal to the fee for the execution and delivery of American Depositary Shares referred to above which would have been charged as a result of the deposit of such securities (for purposes of this clause 7 treating all such securities as if they were Shares) but which securities are instead distributed by the Depositary to Owners, (8) in addition to any fee charged under clause 6, a fee of \$.02 or less per American Depositary Share (or portion thereof) per annum for depositary services, which will be payable as provided in clause 9 below, (9) any other charges payable by the Depositary, any of the Depositary's agents, including the Custodian, or the agents of the Depositary's agents in connection with the servicing of Shares or other Deposited Securities (which charge shall be assessed against Owners as of the date or dates set by the Depositary in accordance with Section 4.06 of the Deposit Agreement and shall be payable at the sole discretion of the Depositary by billing such Owners for such charge or by deducting such charge from one or more cash dividends or other cash distributions).

The Depositary, subject to Article 8 hereof, may own and deal in any class of securities of the Company and its affiliates and in American Depositary Shares.

From time to time, the Depositary may make reimbursement payments to the Company for expenses relating to this American Depositary Shares program.

8. PRE-RELEASE OF RECEIPTS.

Notwithstanding Section 2.03 of the Deposit Agreement, unless requested in writing by the Company to cease doing so, the Depositary may deliver American Depositary Shares prior to the receipt of Shares pursuant to Section 2.02 (a “Pre-Release”). The Depositary may, pursuant to Section 2.05, deliver Shares upon the surrender of American Depositary Shares that have been Pre-Released, whether or not such cancellation is prior to the termination of such Pre-Release or the Depositary knows that such American Depositary Shares have been Pre-Released. The Depositary may receive American Depositary Shares in lieu of Shares in satisfaction of a Pre-Release. Each Pre-Release will be (a) preceded or accompanied by a written representation from the person to whom American Depositary Shares or Shares are to be delivered (a “Pre-Releasee”), that such person, or its customer, (i) owns the Shares or American Depositary Shares to be remitted, as the case may be, (ii) transfers all beneficial right, title and interest in such Shares or American Depositary Shares, as the case may be, to the Depositary in its capacity as such and for the benefit of the Owners, and (iii) will not take any action with respect to such Shares or American Depositary Shares, as the case may be, that is inconsistent with the transfer of ownership (including, without the consent of the Depositary, disposing of Shares or American Depositary Shares, as the case may be, other than in satisfaction of such Pre-Release), (b) at all times fully collateralized with cash or such other collateral as the Depositary deems appropriate, (c) terminable by the Depositary on not more than five (5) business days notice, and (d) subject to such further indemnities and credit regulations as the Depositary deems appropriate. The number of Shares represented by American Depositary Shares which are outstanding at any time as a result of Pre-Release will not normally exceed thirty percent (30%) of the Shares deposited hereunder; provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. For purposes of enabling the Depositary to fulfill its obligations to the Owners under the Deposit Agreement, the collateral referred to in clause (b) above shall be held by the Depositary as security for the performance of the Pre-Releasee’s obligations to the Depositary in connection with a Pre-Release transaction, including the Pre-Releasee’s obligation to deliver Shares or American Depositary Shares upon termination of a Pre-Release transaction (and shall not, for the avoidance of doubt, constitute Deposited Securities hereunder).

The Depositary may retain for its own account any compensation received by it in connection with the foregoing.

9. TITLE TO RECEIPTS.

It is a condition of this Receipt and every successive Owner and holder of this Receipt by accepting or holding the same consents and agrees that when properly endorsed or accompanied by proper instruments of transfer, shall be transferable as certificated registered securities under the laws of New York. American Depositary Shares not evidenced by Receipts shall be transferable as uncertificated registered securities under the laws of New York. The Depositary, notwithstanding any notice to the contrary, may treat the Owner of American Depositary Shares as the absolute owner thereof for the purpose of determining the person entitled to distribution of dividends or other distributions or to any notice provided for in the Deposit Agreement and for all other purposes, and neither the Depositary nor the Company shall have any obligation or be subject to any liability under the Deposit Agreement to any Holder of American Depositary Shares unless that Holder is the Owner of those American Depositary Shares.

10. VALIDITY OF RECEIPT.

This Receipt shall not be entitled to any benefits under the Deposit Agreement or be valid or obligatory for any purpose, unless this Receipt shall have been executed by the Depositary by the manual signature of a duly authorized signatory of the Depositary; provided, however that such signature may be a facsimile if a Registrar for the Receipts shall have been appointed and such Receipts are countersigned by the manual signature of a duly authorized officer of the Registrar.

11. REPORTS; INSPECTION OF TRANSFER BOOKS.

The Company is subject to the periodic reporting requirements of the Securities Exchange Act of 1934 and, accordingly, files reports with the Commission. Those reports will be available for inspection and copying through the Commission's EDGAR system on the Internet at www.sec.gov or at public reference facilities maintained by the Commission located at 100 F Street, N.E., Washington, D.C. 20549.

The Depositary will make available for inspection by Owners at its Corporate Trust Office any reports, notices and other communications, including any proxy soliciting material, received from the Company which are both (a) received by the Depositary as the holder of the Deposited Securities and (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary will also, upon written request by the Company, send to Owners copies of such reports when furnished by the Company pursuant to the Deposit Agreement. Any such reports and communications, including any such proxy soliciting material, furnished to the Depositary by the Company shall be furnished in English to the extent such materials are required to be translated into English pursuant to any regulations of the Commission.

The Depositary will keep books, at its Corporate Trust Office, for the registration of American Depositary Shares and transfers of American Depositary Shares which at all reasonable times shall be open for inspection by the Owners, provided that such inspection shall not be for the purpose of communicating with Owners in the interest of a business or object other than the business of the Company or a matter related to the Deposit Agreement or the American Depositary Shares.

12. DIVIDENDS AND DISTRIBUTIONS.

Whenever the Depositary receives any cash dividend or other cash distribution on any Deposited Securities, the Depositary will, if at the time of receipt thereof any amounts received in a foreign currency can in the judgment of the Depositary be converted into Dollars transferable to the United States, and subject to the Deposit Agreement, convert such dividend or distribution into Dollars and will distribute the amount thus received (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) to the Owners entitled thereto; provided , however , that in the event that the Company, the Custodian or the Depositary shall be required by applicable law to withhold and does withhold from any cash dividend or other cash distribution in respect of any Deposited Securities an amount on account of taxes or other governmental charges, the amount distributed to the Owners of the American Depositary Shares representing such Deposited Securities shall be reduced accordingly.

Subject to the provisions of Section 4.11 and 5.09 of the Deposit Agreement, whenever the Depositary receives any distribution other than a distribution described in Section 4.01, 4.03 or 4.04 of the Deposit Agreement, the Depositary will cause the securities or property received by it to be distributed to the Owners entitled thereto, in any manner that the Depositary may deem equitable and practicable for accomplishing such distribution; provided , however , that if in the opinion of the Depositary such distribution cannot be made proportionately among the Owners of Receipts entitled thereto, or if for any other reason the Depositary deems such distribution not to be practicable, the Depositary may adopt such method as it may deem equitable and practicable for the purpose of effecting such distribution, including, but not limited to, the public or private sale of the securities or property thus received, or any part thereof, and the net proceeds of any such sale (net of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement) will be distributed by the Depositary to the Owners of Receipts entitled thereto all in the manner and subject to the conditions described in Section 4.01 of the Deposit Agreement. The Depositary may withhold any distribution of securities under Section 4.02 of the Deposit Agreement if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. The Depositary may sell, by public or private sale, an amount of securities or other property it would otherwise distribute under this Article that is sufficient to pay its fees and expenses in respect of that distribution.

If any distribution consists of a dividend in, or free distribution of, Shares, the Depositary may deliver to the Owners entitled thereto, an aggregate number of American Depositary Shares representing the amount of Shares received as such dividend or free distribution, subject to the terms and conditions of the Deposit Agreement with respect to the deposit of Shares and after deduction or upon issuance of American Depositary Shares, including the withholding of any tax or other governmental charge as provided in Section 4.11 of the Deposit Agreement and the payment of the fees and expenses of the Depositary as provided in Article 7 hereof and Section 5.09 of the Deposit Agreement (and the Depositary may sell, by public or private sale, an amount of Shares received sufficient to pay its fees and expenses in respect of that distribution). For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. The Depositary may withhold any such delivery of American Depositary Shares if it has not received satisfactory assurances from the Company, after having requested such assurances from the Company, that such distribution does not require registration under the Securities Act of 1933. In lieu of delivering fractional American Depositary Shares in any such case, the Depositary will sell the amount of Shares represented by the aggregate of such fractions and distribute the net proceeds of any sale of that kind as a cash distribution to the Owners thereto, all in the manner and subject to the conditions described in Section 4.01 of the Deposit Agreement. If additional American Depositary Shares are not so delivered, each American Depositary Share shall thenceforth also represent the additional Shares distributed upon the Deposited Securities represented thereby.

In the event that the Depositary determines in its reasonable judgment that any distribution of property (including Shares and rights to subscribe therefor) is subject to any tax or other governmental charge which the Depositary is obligated to withhold under applicable law, the Depositary may by public or private sale dispose of all or a portion of such property (including Shares and rights to subscribe therefor) in such amounts and in such manner as the Depositary deems necessary and practicable to pay any such taxes or charges, and the Depositary shall distribute the net proceeds of any such sale after deduction of such taxes or charges to the Owners of Receipts entitled thereto.

13. RIGHTS.

In the event that the Company shall offer or cause to be offered to the holders of any Deposited Securities any rights to subscribe for additional Shares or any rights of any other nature, the Depositary, after consultation with the Company, shall have discretion as to the procedure to be followed in making such rights available to any Owners or in disposing of such rights on behalf of any Owners and making the net proceeds available to such Owners or, if by the terms of such rights offering or for any other reason, the Depositary may not either make such rights available to any Owners or dispose of such rights and make the net proceeds available to such Owners, then the Depositary shall allow the rights to lapse. If at the time of the offering of any rights the Depositary determines in its discretion that it is lawful and feasible to make such rights available to all or certain Owners but not to other Owners, the Depositary may distribute to any Owner to whom it determines the distribution to be lawful and feasible, in proportion to the number of American Depositary Shares held by such Owner, warrants or other instruments therefor in such form as it deems appropriate.

In circumstances in which rights would otherwise not be distributed, if an Owner requests the distribution of warrants or other instruments in order to exercise the rights allocable to the American Depositary Shares of such Owner under the Deposit Agreement, the Depositary will make such rights available to such Owner upon written notice from the Company to the Depositary that (a) the Company has elected in its sole discretion to permit such rights to be exercised and (b) such Owner has executed such documents as the Company has determined in its sole discretion are reasonably required under applicable law.

If the Depositary has distributed warrants or other instruments for rights to all or certain Owners, then upon instruction from such an Owner pursuant to such warrants or other instruments to the Depositary from such Owner to exercise such rights, upon payment by such Owner to the Depositary for the account of such Owner of an amount equal to the purchase price of the Shares to be received upon the exercise of the rights, and upon payment of the fees and expenses of the Depositary and any other charges as set forth in such warrants or other instruments, the Depositary shall, on behalf of such Owner, exercise the rights and purchase the Shares, and the Company shall cause the Shares so purchased to be delivered to the Depositary on behalf of such Owner. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. As agent for such Owner, the Depositary will cause the Shares so purchased to be deposited pursuant to Section 2.02 of the Deposit Agreement, and shall, pursuant to Section 2.03 of the Deposit Agreement, deliver American Depositary Shares to such Owner. In the case of a distribution pursuant to the second paragraph of this Article 13, such deposit shall be made, and depositary shares shall be delivered, under depositary arrangements which provide for issuance of depositary shares subject to the appropriate restrictions on sale, deposit, cancellation, and transfer under applicable United States laws.

If the Depositary determines based on advice of its legal counsel that it is not lawful and feasible to make such rights available to all or certain Owners, it may sell the rights, warrants or other instruments in proportion to the number of American Depositary Shares held by the Owners to whom it has determined it may not lawfully or feasibly make such rights available, and allocate the net proceeds of such sales (net of the fees and expenses of the Depositary, as provided in Section 5.09 of the Deposit Agreement, and all taxes and governmental charges payable in connection with such rights, and subject to the terms and conditions of the Deposit Agreement) for the account of such Owners otherwise entitled to such rights, warrants or other instruments, upon an averaged or other practical basis without regard to any distinctions among such Owners because of exchange restrictions or the date of delivery of any American Depositary Shares or otherwise. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder.

The Depositary will not offer rights to Owners unless both the rights and the securities to which such rights relate are either exempt from registration under the Securities Act of 1933 with respect to a distribution to all Owners or are registered under the provisions of such Act; provided, that nothing in the Deposit Agreement shall create any obligation on the part of the Company to file a registration statement with respect to such rights or underlying securities or to endeavor to have such a registration statement declared effective. If an Owner requests the distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act of 1933, the Depositary shall not effect such distribution unless it has received an opinion from recognized counsel in the United States for the Company upon which the Depositary may rely that such distribution to such Owner is exempt from such registration.

The Depositary shall not be responsible for any failure to determine that it may be lawful or feasible to make such rights available to Owners in general or any Owner in particular.

14. CONVERSION OF FOREIGN CURRENCY.

Whenever the Depositary or the Custodian shall receive foreign currency, by way of dividends or other distributions or the net proceeds from the sale of securities, property or rights, and if at the time of the receipt thereof the foreign currency so received can in the reasonable judgment of the Depositary be converted into Dollars and the resulting Dollars transferred to the United States, the Depositary shall convert or cause to be converted by sale or in any other manner that it may determine, such foreign currency into Dollars, and such Dollars shall be distributed to the Owners entitled thereto or, if the Depositary shall have distributed any warrants or other instruments which entitle the holders thereof to such Dollars, then to the holders of such warrants and/or instruments upon surrender thereof for cancellation. Such distribution may be made upon an averaged or other reasonably practicable basis without regard to any distinctions among Owners on account of exchange restrictions, the date of delivery of any American Depositary Shares or otherwise and shall be net of any expenses of conversion into Dollars incurred by the Depositary as provided in Section 5.09 of the Deposit Agreement except that the Depositary may delay conversion of foreign currency for so long as, in its reasonable judgment, market conditions will not permit that conversion to be carried out on a reasonable basis. For the avoidance of doubt, the Company shall have no obligation to pay any fee, tax or charge referred to in the preceding sentence if the Company is not the depositor and will not be the Owner or Holder. .

If such conversion or distribution can be effected only with the approval or license of any government or agency thereof, the Depositary shall file such application for approval or license, if any.

If at any time the Depositary shall determine that in its reasonable judgment any foreign currency received by the Depositary or the Custodian is not convertible on a reasonable basis into Dollars transferable to the United States, or if any approval or license of any government or agency thereof which is required for such conversion is denied or in the reasonable judgment of counsel to the Depositary is not obtainable, or if any such approval or license is not obtained within a reasonable period as determined by the Depositary in its reasonable judgment, the Depositary may distribute the foreign currency (or an appropriate document evidencing the right to receive such foreign currency) received by the Depositary to, or in its discretion may hold such foreign currency uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled to receive the same.

If any such conversion of foreign currency, in whole or in part, cannot be effected for distribution to some of the Owners entitled thereto, the Depositary may in its discretion make such conversion and distribution in Dollars to the extent permissible to the Owners entitled thereto and may distribute the balance of the foreign currency received by the Depositary to, or hold such balance uninvested and without liability for interest thereon for the respective accounts of, the Owners entitled thereto.

15. RECORD DATES.

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to the Deposited Securities, or whenever the Depositary shall receive notice of any meeting of holders of Shares or other Deposited Securities, or whenever for any reason the Depositary causes a change in the number of Shares that are represented by each American Depositary Share, or whenever the Depositary shall find it necessary or convenient, the Depositary shall fix a record date, which shall be the same as, or as near as practicable to, any corresponding record date applicable to the Deposited Securities, (a) for the determination of the Owners who shall be (i) entitled to receive such dividend, distribution or rights or the net proceeds of the sale thereof, (ii) entitled to give instructions for the exercise of voting rights at any such meeting or (iii) responsible for any fee assessed by the Depositary pursuant to the Deposit Agreement, or (b) on or after which each American Depositary Share will represent the changed number of Shares, subject to the provisions of the Deposit Agreement.

16. VOTING OF DEPOSITED SECURITIES.

Upon receipt of notice of any meeting of holders of Shares or other Deposited Securities at which holders of Deposited Securities are entitled to vote, if requested in writing by the Company, the Depositary shall, as soon as practicable thereafter, mail to the Owners of Receipts a notice, the form of which notice shall be in the sole discretion of the Depositary, which shall contain (a) such information as is contained in such notice of meeting received by the Depositary from the Company, (b) a statement that the Owners as of the close of business on a specified record date will be entitled, subject to any applicable provision of law and of the articles of association or similar documents of the Company, to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Shares or other Deposited Securities represented by their respective American Depositary Shares and (c) a statement as to the manner in which such instructions may be given. Upon the written request of an Owner of American Depositary Shares on such record date, received on or before the date established by the Depositary for such purpose, the Depositary shall endeavor insofar as practicable to vote or cause to be voted the amount of Shares or other Deposited Securities represented by those American Depositary Shares in accordance with the instructions set forth in such request. The Depositary shall not vote or attempt to exercise the right to vote that attaches to the Shares or other Deposited Securities, other than in accordance with such instructions. For the avoidance of doubt, if the Depositary timely receives from an Owner instructions which fail to specify the manner in which the Depositary is to vote, the amount of Deposited Securities represented by such Owner's American Depositary Shares shall not be voted. Similarly, the amount of Deposited Securities represented by American Depositary Shares for which instructions were not timely received by the Depositary shall not be voted.

There can be no assurance that Owners generally or any Owner in particular will receive the notice described in the preceding paragraph sufficiently prior to the instruction cutoff date to enable Owners to give voting instructions to the Depositary by the instruction cutoff date.

In order to give Owners a reasonable opportunity to instruct the Depositary as to the exercise of voting rights relating to Deposited Securities, if the Company will request the Depositary to act under Section 4.07 of the Deposit Agreement, the Company shall give the Depositary notice of any such meeting or solicitation and details concerning the matters to be voted upon not less than 30 days prior to the meeting date.

Without limiting any of the foregoing, to the extent the Depositary does not receive voting instructions from Owners, the Depositary shall take such actions as are necessary, upon the written request of the Company, subject to applicable law and the terms of the Deposited Securities, to cause the amount of Shares represented by American Depositary Shares of those Owners to be counted for the purpose of satisfying applicable quorum requirements.

17. CHANGES AFFECTING DEPOSITED SECURITIES.

Upon any change in nominal value, change in par value, split-up, consolidation, or any other reclassification of Deposited Securities, or upon any recapitalization, reorganization, merger or consolidation, or sale of assets affecting the Company or to which it is a party, or upon the redemption or cancellation by the Company of the Deposited Securities, any securities, cash or property which shall be received by the Depository or the Custodian in exchange for, in conversion of, in lieu of or in respect of Deposited Securities shall be treated as new Deposited Securities under the Deposit Agreement, and American Depositary Shares shall thenceforth represent, in addition to the existing Deposited Securities, the right to receive the new Deposited Securities so received, unless additional Receipts are delivered pursuant to the following sentence. In any such case the Depository may deliver additional American Depositary Shares as in the case of a dividend in Shares, or call for the surrender of outstanding Receipts to be exchanged for new Receipts specifically describing such new Deposited Securities.

18. LIABILITY OF THE COMPANY AND DEPOSITARY.

Neither the Depository nor the Company nor any of their respective directors, employees, agents or affiliates shall incur any liability to any Owner or holder, (i) if by reason of any provision of any present or future law or regulation of the United States or any other country, or of any governmental or regulatory authority, or by reason of any provision, present or future, of the articles of association or any similar document of the Company, or by reason of any provision of any securities issued or distributed by the Company, or any offering or distribution thereof, or by reason of any act of God or war or terrorism or other circumstances beyond its control, the Depository or the Company shall be prevented, delayed or forbidden from or be subject to any civil or criminal penalty on account of doing or performing any act or thing which by the terms of the Deposit Agreement or Deposited Securities it is provided shall be done or performed, (ii) by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which by the terms of the Deposit Agreement it is provided shall or may be done or performed, (iii) by reason of any exercise of, or failure to exercise, any discretion provided for in the Deposit Agreement, (iv) for the inability of any Owner or holder to benefit from any distribution, offering, right or other benefit which is made available to holders of Deposited Securities but is not, under the terms of the Deposit Agreement, made available to Owners or holders, or (v) for any special, consequential or punitive damages for any breach of the terms of the Deposit Agreement. Where, by the terms of a distribution pursuant to Section 4.01, 4.02 or 4.03 of the Deposit Agreement, or an offering or distribution pursuant to Section 4.04 of the Deposit Agreement, or for any other reason, such distribution or offering may not be made available to Owners of Receipts, and the Depository may not dispose of such distribution or offering on behalf of such Owners and make the net proceeds available to such Owners, then the Depository shall not make such distribution or offering, and shall allow any rights, if applicable, to lapse. Neither the Company nor the Depository assumes any obligation or shall be subject to any liability under the Deposit Agreement to Owners or holders, except that they agree to perform their respective obligations specifically set forth in the Deposit Agreement without negligence or bad faith. The Depository shall not be subject to any liability with respect to the validity or worth of the Deposited Securities. Neither the Depository nor the Company shall be under any obligation to appear in, prosecute or defend any action, suit, or other proceeding in respect of any Deposited Securities or in respect of the American Depositary Shares, on behalf of any Owner or holder or other person. Neither the Depository nor the Company shall be liable for any action or nonaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Owner or holder, or any other person believed by it in good faith to be competent to give such advice or information. The Depository shall not be liable for any acts or omissions made by a successor depository whether in connection with a previous act or omission of the Depository or in connection with a matter arising wholly after the removal or resignation of the Depository, provided that in connection with the issue out of which such potential liability arises, the Depository performed its obligations without negligence or bad faith while it acted as Depository. The Depository shall not be liable for the acts or omissions of any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of Deposited Securities or otherwise. The Depository shall not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities or for the manner in which any such

vote is cast or the effect of any such vote, provided that any such action or nonaction is in good faith.

No disclaimer of liability under the Securities Act of 1933 is intended by any provision of the Deposit Agreement.

19. RESIGNATION AND REMOVAL OF THE DEPOSITARY; APPOINTMENT OF SUCCESSOR CUSTODIAN .

The Depositary may at any time resign as Depositary under the Deposit Agreement by written notice of its election so to do delivered to the Company, such resignation to take effect upon the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by the Company by 60 days prior written notice of such removal, to become effective upon the later of (i) the 60th day after delivery of the notice to the Depositary and (ii) the appointment of a successor depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary in its discretion may appoint a substitute custodian.

20. AMENDMENT.

The form of the Receipts and any provisions of the Deposit Agreement may at any time and from time to time be amended by agreement between the Company and the Depositary without the consent of Owners or holders in any respect which they may deem necessary or desirable. Any amendment which shall impose or increase any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or which shall otherwise prejudice any substantial existing right of Owners, shall, however, not become effective as to outstanding American Depositary Shares until the expiration of thirty days after notice of such amendment shall have been given to the Owners of outstanding American Depositary Shares. Every Owner and holder of American Depositary Shares, at the time any amendment so becomes effective, shall be deemed, by continuing to hold such American Depositary Shares or any interest therein, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Owner to surrender American Depositary Shares and receive therefor the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

21. TERMINATION OF DEPOSIT AGREEMENT.

The Company may terminate the Deposit Agreement by instructing the Depositary to mail notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date included in such notice. The Depositary may likewise terminate the Deposit Agreement, if at any time 60 days shall have expired after the Depositary delivered to the Company a written resignation notice and if a successor depositary shall not have been appointed and accepted its appointment as provided in the Deposit Agreement; in such case the Depositary shall mail a notice of termination to the Owners of all American Depositary Shares then outstanding at least 30 days prior to the termination date. On and after the date of termination, the Owner of American Depositary Shares will, upon (a) surrender of such American Depositary Shares, (b) payment of the fee of the Depositary for the surrender of American Depositary Shares referred to in Section 2.05, and (c) payment of any applicable taxes or governmental charges, be entitled to delivery, to him or upon his order, of the amount of Deposited Securities represented by those American Depositary Shares. If any American Depositary Shares shall remain outstanding after the date of termination, the Depositary thereafter shall discontinue the registration of transfers of American Depositary Shares, shall suspend the distribution of dividends to the Owners thereof, and shall not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary shall continue to collect dividends and other distributions pertaining to Deposited Securities, shall sell rights and other property as provided in the Deposit Agreement, and shall continue to deliver Deposited Securities, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, upon surrender of American Depositary Shares (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). At any time after the expiration of four months from the date of termination, the Depositary may sell the Deposited Securities then held under the Deposit Agreement and may thereafter hold uninvested the net proceeds of any such sale, together with any other cash then held by it thereunder, unsegregated and without liability for interest, for the pro rata benefit of the Owners of American Depositary Shares that have not theretofore been surrendered, such Owners thereupon becoming general creditors of the Depositary with respect to such net proceeds. After making such sale, the Depositary shall be discharged from all obligations under the Deposit Agreement, except to account for such net proceeds and other cash (after deducting, in each case, the fee of the Depositary for the surrender of American Depositary Shares, any expenses for the account of the Owner of such American Depositary Shares in accordance with the terms and conditions of the Deposit Agreement, and any applicable taxes or governmental charges). Upon the termination of the Deposit Agreement, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary with respect to indemnification, charges, and expenses.

22. DTC DIRECT REGISTRATION SYSTEM AND PROFILE MODIFICATION SYSTEM.

(a) Notwithstanding the provisions of Section 2.04 of the Deposit Agreement, the parties acknowledge that the Direct Registration System (“DRS”) and Profile Modification System (“Profile”) shall apply to uncertificated American Depositary Shares upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the Depositary may register the ownership of uncertificated American Depositary Shares, which ownership shall be evidenced by periodic statements issued by the Depositary to the Owners entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an Owner, to direct the Depositary to register a transfer of those American Depositary Shares to DTC or its nominee and to deliver those American Depositary Shares to the DTC account of that DTC participant without receipt by the Depositary of prior authorization from the Owner to register such transfer.

(b) In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties understand that the Depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an Owner in requesting registration of transfer and delivery described in subsection (a) has the actual authority to act on behalf of the Owner (notwithstanding any requirements under the Uniform Commercial Code). For the avoidance of doubt, the provisions of Sections 5.03 and 5.08 of the Deposit Agreement shall apply to the matters arising from the use of the DRS. The parties agree that the Depository's reliance on and compliance with instructions received by the Depository through the DRS/Profile System and in accordance with the Deposit Agreement, shall not constitute negligence or bad faith on the part of the Depository.

23. SUBMISSION TO JURISDICTION; JURY TRIAL WAIVER; WAIVER OF IMMUNITIES.

(a) In the Deposit Agreement, the Company has (i) appointed its New York office, currently located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022, in the State of New York, as the Company's authorized agent upon which process may be served in any suit or proceeding arising out of or relating to the Shares or Deposited Securities, the American Depositary Shares, the Receipts or this Agreement, (ii) consented and submitted to the jurisdiction of any state or federal court in the State of New York in which any such suit or proceeding may be instituted, and (iii) agreed that service of process upon said authorized agent shall be deemed in every respect effective service of process upon the Company in any such suit or proceeding.

EACH PARTY TO THE DEPOSIT AGREEMENT (INCLUDING, FOR AVOIDANCE OF DOUBT, EACH OWNER AND HOLDER) THEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY SUIT, ACTION OR PROCEEDING AGAINST THE COMPANY AND/OR THE DEPOSITARY DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THE SHARES OR OTHER DEPOSITED SECURITIES, THE AMERICAN DEPOSITARY SHARES OR THE RECEIPTS, THE DEPOSIT AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREIN OR THEREIN, OR THE BREACH HEREOF OR THEREOF, INCLUDING WITHOUT LIMITATION ANY QUESTION REGARDING EXISTENCE, VALIDITY OR TERMINATION (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY).

(b) To the extent that the Company or any of its properties, assets or revenues may have or hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any respect thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Shares or Deposited Securities, the American Depositary Shares, the Receipts or the Deposit Agreement, the Company, to the fullest extent permitted by law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consents to such relief and enforcement.

24. DELIVERY OF INFORMATION TO THE CVM.

Each of the Depositary and the Company hereby confirms to the other that for as long as the Deposit Agreement is in effect, it shall furnish the CVM and the Central Bank, at any time and within the period that may be determined, with any information and documents related to the American Depositary Share program and the American Depositary Shares. In the event that the Depositary or the Custodian shall be advised in writing by reputable independent Brazilian counsel that the Depositary or Custodian reasonably could be subject to criminal, or material, as reasonably determined by the Depositary, civil, liabilities as a result of the Company having failed to provide such information or documents reasonably available only through the Company, the Depositary shall have the right to terminate this Deposit Agreement, upon at least 30 days' prior notice to the Owners and the Company, and the Depositary shall not be subject to any liability hereunder on account of such termination or such determination.

SIXTH SUPPLEMENTAL INDENTURE

SIXTH SUPPLEMENTAL INDENTURE, effective as of February 10, 2012, by and among Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands, having its principal office at 4th Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, Cayman Islands (the “Company”), THE BANK OF NEW YORK MELLON, a New York banking corporation, as Trustee hereunder (the “Trustee”), and Petróleo Brasileiro S.A. – Petrobras, a mixed capital company (*sociedade de economia mista*) organized under the laws of Brazil, having its principal office at Avenida República do Chile, 65, 20035-900 Rio de Janeiro – RJ, Brazil (“Petrobras”).

WITNESSETH:

WHEREAS, the Company and the Trustee previously have entered into an indenture, dated as of July 19, 2002 (the “Original Indenture”);

WHEREAS, the Original Indenture was supplemented by each of (i) the Amended and Restated Second Supplemental Indenture, dated as of March 31, 2010 (the “Amended and Restated Second Supplemental Indenture”) with respect to the U.S.\$500,000,000 9.125% Global Notes due 2013 (the “Original 2013 Notes”) and an additional issuance of U.S.\$250,000,000 9.125% Global Notes due 2013 (the “Reopening 2013 Notes” and, together with the Original 2013 Notes, the “2013 Notes”); (ii) the Amended and Restated Third Supplemental Indenture, dated as of March 31, 2010 (the “Amended and Restated Third Supplemental Indenture”) with respect to the U.S.\$750,000,000 8.375% Global Notes due 2018 (the “2018 Notes”); (iii) the Amended and Restated Fourth Supplemental Indenture, dated as of March 31, 2010 (the “Amended and Restated Fourth Supplemental Indenture”) with respect to the U.S.\$600,000,000 7.75% Global Notes due 2014 (the “2014 Notes”); and (iv) the Amended and Restated Fifth Supplemental Indenture, dated as of March 31, 2010 (the “Amended and Restated Fifth Supplemental Indenture” and, together with the Amended and Restated Second Supplemental Indenture, the Amended and Restated Third Supplemental Indenture and the Amended and Restated Fourth Supplemental Indenture, the “Supplemental Indentures” and each a “Supplemental Indenture”) with respect to the U.S.\$500,000,000 6.125% Global Notes due 2016 (the “Original 2016 Notes”) and an additional issuance of U.S.\$399,053,000 6.125% Global Notes due 2016 (the “Reopening 2016 Notes” and, together with the Original 2016 Notes, the “2016 Notes”); and, together with the 2013 Notes, the 2018 Notes and the 2014 Notes, the “Notes”);

WHEREAS, Section 9.01 of the Original Indenture provides that, subsequent to the execution of the Original Indenture and subject to satisfaction of certain conditions, the Company and the Trustee may enter into one or more indentures supplemental to the Original Indenture to add to, change or eliminate any of the provisions of the Original Indenture in respect of one or more series of Securities (as defined in the Original Indenture);

WHEREAS, the Company and Petrobras wish to amend the Original Indenture and each of the Supplemental Indentures to replace the term U.S. GAAP by Reporting GAAP (as defined herein);

WHEREAS, the Company and Petrobras confirm that any and all conditions and requirements necessary to make this Sixth Supplemental Indenture a valid, binding, and legal instrument in accordance with the terms of the Indenture have been performed and fulfilled and the execution and delivery of this Sixth Supplemental Indenture has been in all respects duly authorized;

WHEREAS, pursuant to Section 9.01 of the Original Indenture, the Trustee is authorized to execute and deliver this Sixth Supplemental Indenture; and

WHEREAS, the Company and Petrobras have requested that the Trustee execute and deliver this Sixth Supplemental Indenture;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and in the Indenture and for other good and valuable consideration, the receipt and sufficiency of which are herein acknowledged, the Company, Petrobras and the Trustee hereby agree, for the equal and ratable benefit of all Holders, as follows:

Article 1

DEFINITIONS

Section 1.01. *Defined Terms.* All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented and amended hereby. All definitions in the Original Indenture shall be read in a manner consistent with the terms of this Sixth Supplemental Indenture.

Section 1.01. *Changes to Definitions of Original Indenture.* (a) The first paragraph of Section 1.01 of the Original Indenture shall be amended to read in its entirety as follows:

“For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with Reporting GAAP, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are consistent with Reporting GAAP at the date of such computation; and

(4) Unless the context otherwise requires, any reference to an "Article," a "Section" or an "Annex" refers to an Article, a Section or an Annex, as the case may be, of this Indenture; and

(5) the words "herein," "hereof" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or other subdivision."

(b) The definition of "Indebtedness" in Section 1.01 of the Original Indenture shall be amended to read as follows:

"Indebtedness" means any obligation (whether present or future, actual or contingent and including, without limitation, any guarantee) for payment on or the repayment of money which has been borrowed or raised (including money raised by acceptance and all leases which, under Reporting GAAP, would constitute a capital lease obligation).

(c) Section 1.01 of the Original Indenture shall be amended by adding the following definition:

"Reporting GAAP" means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") as from the date Petrobras adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

Section 1.02. *Changes to Definitions of the Supplemental Indentures.* (a) The definition of "Material Subsidiary" and "Permitted Lien of each of the Amended and Restated Second Supplemental Indenture, the Amended and Restated Third Supplemental Indenture and the Amended and Restated Fourth Supplemental Indenture shall be amended to read as follows:

"Material Subsidiary" means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 7.5% of Petrobras' total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

"Permitted Lien" means a:

(a) Lien arising by operation of law, such as merchants', maritime or other similar Liens arising in the Company'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 the Company's obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Company'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 such Indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;

(d) Lien granted upon or with respect to any assets hereafter acquired by the Company or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets, as the case may be;

(e) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Company or another Wholly-Owned Subsidiary;

(f) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Company or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(g) Lien existing as of the date of this Supplemental Indenture;

(h) Lien resulting from the Indenture or the Guaranty;

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

(j) Lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any Indebtedness secured by Lien referred to in paragraphs (a) through (i) above (but not paragraph (c)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (a), (b) and (f) the obligees meet the requirements of such paragraphs; and

(k) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Company's Permitted Liens pursuant to clauses (a) through (j) of this definition, does not exceed 7.5% of the Company's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Company's balance sheet is prepared and published in accordance with applicable Law."

(b) The definition of “Material Subsidiary” and “Permitted Lien of the Amended and Restated Fifth Supplemental Indenture shall be amended to read as follows:

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 15% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Permitted Lien” means a:

(a) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Company’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 the Company’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Company’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 such Indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;

(d) Lien granted upon or with respect to any assets hereafter acquired by the Company or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets, as the case may be;

(e) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Company or another Wholly-Owned Subsidiary;

(f) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Company or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(g) Lien existing as of the date of this Supplemental Indenture;

(h) Lien resulting from the Indenture or the Guaranty;

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

(j) Lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any Indebtedness secured by Lien referred to in paragraphs (a) through (i) above (but not paragraph (c)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (a), (b) and (f) the obligees meet the requirements of such paragraphs; and

(k) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Company's Permitted Liens pursuant to clauses (a) through (j) of this definition, does not exceed 15% of the Company's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Company's balance sheet is prepared and published in accordance with applicable Law."

Article 2

Section 2.01. *Amendment to Article 10 Relating to Covenants.* Section 10.09 of the Original Indenture shall be amended to read in its entirety as follows:

"Section 10.09 Maintenance of Books and Records.

The Company shall, and shall cause each of its Subsidiaries to, maintain books, accounts and records in accordance with Reporting GAAP."

Article 3

MISCELLANEOUS

Section 3.01. *Effect of the Sixth Supplemental Indenture.* This Sixth Supplemental Indenture supplements the Original Indenture and shall be a part, and subject to all the terms, thereof. The Original Indenture, as supplemented and amended by this Sixth Supplemental Indenture, is in all respects ratified and confirmed, and the Original Indenture and this Sixth Supplemental Indenture shall be read, taken and construed as one and the same instrument. This Sixth Supplemental Indenture supplements each of the Supplemental Indentures and shall be a part, and subject to all the terms, of each of such Supplemental Indentures. Each Supplemental Indenture, as supplemented and amended by this Sixth Supplemental Indenture, is in all respects ratified and confirmed, and each of the Supplemental Indentures and this Sixth Supplemental Indenture shall be read, taken and construed as one and the same instrument. All provisions included in this Sixth Supplemental Indenture supersede any conflicting provisions included in the Original Indenture and the Supplemental Indentures unless not permitted by law. The Trustee accepts the trusts created by the Original Indenture, as supplemented by this Sixth Supplemental Indenture, and agrees to perform the same upon the terms and conditions of the Original Indenture, as supplemented by this Sixth Supplemental Indenture.

Section 3.02. *Governing Law.* This Sixth Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 3.03. *Trustee Makes No Representation.* The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity, enforceability or sufficiency of this Sixth Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made solely by the Company and Petrobras.

Section 3.04. *Effect of Headings.* The section headings herein are for convenience only and shall not affect the construction of this Sixth Supplemental Indenture.

Section 3.05. *Counterparts.* The parties may sign any number of copies of this Sixth Supplemental Indenture. Each signed copy shall be an original, but all of them shall represent the same agreement.

Section 3.06. *Additional Trustee Provisions.*

(a) The permissive rights of the Trustee enumerated herein shall not be construed as duties.

(b) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(c) Notwithstanding anything herein to the contrary neither the Trustee nor any of its the agents shall incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee or its respective agent, as applicable, (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism, fire, riot, strikes or work stoppages for any reason, embargos, government action or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

Section 3.07. *Waiver of Jury Trial.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE OR THE NOTES.

[SIGNATURE PAGE TO FOLLOW IMMEDIATELY]

IN WITNESS WHEREOF, the parties have caused this Sixth Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

PETROBRAS INTERNATIONAL FINANCE COMPANY

By: /s/ Sérgio Túlio da R. Tinoco

Name: Sérgio Túlio da R. Tinoco

Title: Chief Financial Officer

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Neyde Sáfadi

Name: Neyde Sáfadi

Title: General Manager of Corporate Finance

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

AMENDED AND RESTATED GUARANTY

Dated as of February 10, 2012

between

PETRÓLEO BRASILEIRO S.A.—PETROBRAS,

as Guarantor,

and

THE BANK OF NEW YORK MELLON, as

Trustee for the Noteholders

Referred to Herein

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The Guaranty dated as of March 31, 2010 (the “Original Guaranty”) is hereby amended and restated in its entirety as follows:

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY (this “Amended and Restated Guaranty”), dated as of February 10, 2012, between PETRÓLEO BRASILEIRO S.A.—PETROBRAS (the “Guarantor”), a *sociedade de economia mista* organized and existing under the laws of the Federative Republic of Brazil (“Brazil”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, as trustee for the holders of the Notes (as defined below) issued pursuant to the Indenture (as defined below) (the “Trustee”).

WITNESSETH:

WHEREAS, Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a wholly-owned Subsidiary of the Guarantor (the “Issuer”), has entered into an Indenture dated as of July 19, 2002 (the “Original Indenture”) with the Trustee (as successor to JPMorgan Chase Bank, a New York banking corporation), as supplemented by the amended and restated second supplemental indenture, dated as of September 18, 2003, among the Issuer, the Guarantor and the Trustee (the “Reopening Supplemental Indenture”), as further supplemented by the amended and restated second supplemental indenture dated as of March 31, 2010, among the Issuer, the Guarantor and the Trustee (the “2010 Amended and Restated Second Supplemental Indenture”), and as further supplemented by the sixth supplemental indenture dated as of the date hereof, among the Issuer, the Guarantor and the Trustee (the “Sixth Supplemental Indenture”). The Original Indenture, as supplemented by the 2010 Amended and Restated Second Supplemental Indenture and the Sixth Supplemental Indenture and as amended or supplemented from time to time with respect to the Notes, is hereinafter referred to as the “Indenture”;

WHEREAS, the Issuer has duly authorized the issuance of its notes in such principal amount or amounts as may from time to time be authorized in accordance with the Indenture and has, as of September 18, 2003, issued an additional U.S.\$250,000,000 aggregate principal amount of its 9.125% Global Notes due 2013 (the “Reopening Notes”) under the Original Indenture as supplemented by the Reopening Supplemental Indenture (the “Reopening Indenture”). The Reopening Notes are consolidated, form a single series and are fully fungible with the Company’s outstanding 9.125% Global Notes due 2013 originally issued on July 2, 2003 under the Original Indenture as supplemented by the second supplemental indenture, dated as of July 2, 2003, by and among the Issuer, the Guarantor and the Trustee (the “Second Supplemental Indenture”), in the aggregate principal amount of U.S.\$500,000,000 (the “Original Notes” and, together with the Reopening Notes, the “Notes”);

WHEREAS, the Guarantor, in its capacity as the Standby Purchaser (the “Standby Purchaser”), had entered into the Amended and Restated Standby Purchase Agreement (the “Amended and Restated Standby Purchase Agreement”) on September 18, 2003 in order to provide the holders of the Notes (the “Noteholders”) with assurances that, if the Issuer shall fail to make all required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Standby Purchaser would be obligated, without any action on the part of the Noteholders, to immediately purchase the rights of the Noteholders to receive such amounts in consideration of the payment by the Standby Purchaser of an amount of funds equal to the amounts then owed by the Issuer under the Indenture and the Notes, subject to the provisions thereof;

WHEREAS, the Guarantor replaced the Amended and Restated Standby Purchase Agreement with the Original Guaranty on March 31, 2010 in order to provide the Noteholders with an irrevocable and unconditional guaranty that, if the Issuer shall fail to make any required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Guarantor will pay any such amounts whether at stated maturity, or earlier or later by acceleration or otherwise;

WHEREAS, the Guarantor wishes to amend the Original Guaranty to replace the term “U.S. GAAP” by “Reporting GAAP” in certain sections hereof;

WHEREAS, the Guarantor agrees that it has and will derive substantial direct and indirect benefits from the issuance of the Notes by the Issuer;

WHEREAS, each of the parties hereto is entering into this Amended and Restated Guaranty for the benefit of the other party and for the equal and ratable benefit of the Noteholders;

WHEREAS, Section 9 of the Original Guaranty and Section 9.01 of the Indenture provide that the Trustee and the Guarantor may enter into amendments to the Original Guaranty and the Indenture provided that such action does not adversely affect the interests of the Noteholders in any material respect.

NOW, THEREFORE, the Guarantor and the Trustee hereby agree as follows:

SECTION 1. Definitions.

(a) All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented. All such definitions shall be read in a manner consistent with the terms of this Amended and Restated Guaranty.

(b) As used herein, the following capitalized terms shall have the following meanings:

“Affiliate,” with respect to any Person, means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; it being understood that for purposes of this definition, the term “*control*” (including the terms “*controlling*,” “*controlled by*” and “*under common control with*”) of a Person shall mean the possession, direct or indirect, of the power to vote 25% or more of the equity or similar voting interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Authorized Representative” of the Guarantor or any other Person means the person or persons authorized to act on behalf of such entity by its chief executive officer, president, chief operating officer, chief financial officer or any vice president or its Board of Directors or any other governing body of such entity.

“Base Prospectus” has the meaning set forth in the definition of Registration Statement herein.

“Bear Stearns” means Bear, Stearns & Co. Inc.

“Board of Directors”, when used with respect to a corporation, means either the board of directors of such corporation or any committee of that board duly authorized to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorized by the organizational documents or by the voting equity owners of such entity to act for them .

“Denomination Currency” has the meaning specified in Section 15(b).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Final Offering Document” has the meaning specified in Section 7(d).

“Guaranteed Obligations” has the meaning specified in Section 2.

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

“Judgment Currency” has the meaning specified in Section 15(b).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, assets, property, condition (financial or otherwise) or, results of operation, of the Guarantor together with its consolidated Subsidiaries, taken as a whole, (b) the validity or enforceability of this Amended and Restated Guaranty or any other Transaction Document or (c) the ability of the Guarantor to perform its obligations under this Amended and Restated Guaranty or any other Transaction Document, or (d) the material rights or benefits available to the Noteholders or the Trustee, as representative of the Noteholders under the Indenture, this Amended and Restated Guaranty or any of the other Transaction Documents.

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 7.5% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Officer’s Certificate” means a certificate of an Authorized Representative of the Guarantor.

“Opinion of Counsel” means a written opinion of counsel from any Person either expressly referred to herein or otherwise reasonably satisfactory to the Trustee which may include, without limitation, counsel for the Guarantor, whether or not such counsel is an employee of the Guarantor.

“Permitted Lien” means a:

(i) Lien granted in respect of Indebtedness owed to the Brazilian government, *Banco Nacional de Desenvolvimento Econômico e Social* or any official government agency or department of Brazil or of any state or region thereof;

(ii) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Guarantor’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;

(iii) Lien arising from the Guarantor’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Guarantor’s past practice;

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

(v) Lien granted upon or with respect to any assets hereafter acquired by the Guarantor or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets;

(vi) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Guarantor or another Wholly-Owned Subsidiary;

(vii) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Guarantor or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(viii) Lien over any Qualifying Asset relating to a project financed by, and securing Indebtedness incurred in connection with, the Project Financing of such project by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

(ix) Lien existing as of the date of the Indenture;

(x) Lien resulting from the Transaction Documents;

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

(xii) 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 a Lien referred to in paragraphs (i) through (xi) above (but not paragraph (iv)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (i), (ii), (iii) and (vii), the obligees meet the requirements of such paragraphs and in the case of paragraph (viii), the Indebtedness is incurred in connection with a Project Financing by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary have any ownership or other similar interests; and

(xiii) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Guarantor's Permitted Liens pursuant to clauses (i) through (xii) of this definition, does not exceed 7.5% of the Guarantor's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Guarantor's balance sheet is prepared and published in accordance with applicable Law.

“Person” means any individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Preliminary Offering Document” has the meaning specified in Section 7(c).

“Preliminary Prospectus Supplement” has the meaning specified in Section 7(c).

“Process Agent” has the meaning specified in Section 16(c).

“Project Financing” of any project means the incurrence of Indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such Indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more Qualifying Assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such Indebtedness.

“Qualifying Asset” in relation to any Project Financing means:

- (i) any concession, authorization or other legal right granted by any Governmental Authority to the Guarantor or any of the Guarantor’s Subsidiaries, or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;
- (ii) any drilling or other rig, any drilling or production platform, pipeline, marine vessel, vehicle or other equipment or any refinery, oil or gas field, processing plant, real property (whether leased or owned), right of way or plant or other fixtures or equipment;
- (iii) any revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale, loss or damage to, such concession, authorization or other legal right or such drilling or other rig, drilling or production platform, pipeline, marine vessel, vehicle or other equipment or refinery, oil or gas field, processing plant, real property, right of way, plant or other fixtures or equipment or any contract or agreement relating to any of the foregoing or the Project Financing of any of the foregoing (including insurance policies, credit support arrangements and other similar contracts) or any rights under any performance bond, letter of credit or similar instrument issued in connection therewith;
- (iv) any oil, gas, petrochemical or other hydrocarbon- based products produced or processed by such project, including any receivables or contract rights arising therefrom or relating thereto and any such product (and such receivables or contract rights) produced or processed by other projects, fields or assets to which the lenders providing the Project Financing required, as a condition therefor, recourse as security in addition to that produced or processed by such project; and
- (v) shares or other ownership interest in, and any subordinated debt rights owing to the Guarantor by, a special purpose company formed solely for the development of a project, and whose principal assets and business are constituted by such project and whose liabilities solely relate to such project.

“Registration Statement” means the registration statement on Form F-3 under the Securities Act, initially dated July 5, 2002 and as amended on July 19, 2002 and further amended on August 14, 2002, filed with the SEC (File No. 333-92044) covering the registration of the Notes under the Securities Act and including the related base prospectus in the form dated August 14, 2002 (the “Base Prospectus”) at the time such registration statement was declared effective by the SEC, as amended to the date hereof (including any post-effective amendment that includes a prospectus or prospectus supplement), together with any documents incorporated by reference therein.

“Reopening Offering Document” has the meaning specified in Section 7(e).

“Reopening Prospectus Supplement” has the meaning specified in Section 7(e).

“Reopening Transaction Documents” means, collectively, the Reopening Indenture, the Notes and the Amended and Restated Standby Purchase Agreement.

“Reporting GAAP” means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) as from the date the Guarantor adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

“SEC” means the United States Securities and Exchange Commission.

“Second Underwriting Agreement” has the meaning specified in Section 7(a).

“Securities Act” means the United States Securities Act of 1933, as amended.

“Successor Company” has the meaning specified in Section 8(m)(A).

“Termination Date” has the meaning specified in Section 6.

“TIA” means the United States Trust Indenture Act of 1939, as amended.

“Transaction Documents” means, collectively, the Indenture, the Notes and this Amended and Restated Guaranty.

“Underwriters” means Bear, Stearns & Co. Inc., Deutsche Bank Securities Inc., Santander Central Hispano Investment Securities Inc and HSBC Securities (USA) Inc., acting as such under the Underwriting Agreement.

“Underwriting Agreement” has the meaning specified in Section 7(a).

“U.S. GAAP” means generally accepted accounting principles in effect in the United States applied on a basis consistent with the principles, methods, procedures and practices set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

(c) Construction. The parties agree that items (1) through (5) of Section 1.01 of the Indenture shall apply to this Amended and Restated Guaranty, except as otherwise expressly provided or unless the context otherwise requires.

SECTION 2. Guaranty.

(a) The Guarantor hereby unconditionally and irrevocably guarantees the full and punctual payment when due, as a guaranty of payment and not of collection, whether at the Stated Maturity, or earlier or later by acceleration or otherwise, of all obligations of the Issuer now or hereafter existing under the Indenture and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses or otherwise (such obligations being the “Guaranteed Obligations”), and the Guarantor agrees to pay any and all expenses (including reasonable and documented counsel fees and expenses) incurred by the Trustee or any Noteholder in enforcing any rights under this Amended and Restated Guaranty with respect to such Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor’s liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Issuer to the Trustee or any Noteholder under the Indenture and the Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization or similar proceeding involving the Issuer.

(b) In the event that the Issuer does not make payments to the Trustee of all or any portion of the Guaranteed Obligations, upon receipt of notice of such non-payment by the Trustee, the Guarantor will make immediate payment to the Trustee of any such amount or portion of the Guaranteed Obligations owing or payable under the Indenture and the Notes. Such notice shall specify the amount or amounts under the Indenture and the Notes that were not paid on the date that such amounts were required to be paid under the terms of the Indenture and the Notes.

(c) The obligation of the Guarantor under this Amended and Restated Guaranty shall be absolute and unconditional upon receipt by it of the notice contemplated herein absent manifest error. The Guarantor shall not be relieved of its obligations hereunder unless and until the Trustee shall have indefeasibly received all amounts required to be paid by the Guarantor hereunder (and any Event of Default under the Indenture has been cured, it being understood that the Guarantor’s obligations hereunder shall terminate following payment by the Issuer and/or the Guarantor of the entire principal, all accrued interest and all other amounts due and owing in respect of the Notes and the Indenture. All amounts payable by the Guarantor hereunder shall be payable in U.S. dollars and in immediately available funds to the Trustee.

All payments actually received by the Trustee pursuant to this Section 2 after 1:00 p.m. (New York time) on any Business Day will be deemed, for purposes of this Amended and Restated Guaranty, to have been received by the Trustee on the next succeeding Business Day.

SECTION 3. Guaranty Absolute.

(a) The Guarantor’s obligations under this Amended and Restated Guaranty are absolute and unconditional regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Noteholder under its Notes or the Indenture. The obligations of the Guarantor under or in respect of this Amended and Restated Guaranty are independent of the Guaranteed Obligations or any other obligations of the Issuer, the Issuer’s Subsidiaries or the Guarantor’s Subsidiaries under or in respect of the Indenture and the Notes or any other document or agreement, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Amended and Restated Guaranty, irrespective of whether any action is brought against the Issuer or whether the Issuer is joined in any such action or actions. The liability of the Guarantor under this Amended and Restated Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

- (i) any lack of validity or enforceability of any of the Transaction Documents;
- (ii) any provision of applicable Law or regulation purporting to prohibit the payment by the Issuer of any amount payable by it under the Indenture and the Notes;
- (iii) any provision of applicable Law or regulation purporting to prohibit the payment by the Guarantor of any amount payable by it under this Amended and Restated Guaranty;
- (iv) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other person or entity under or in respect of the Transaction Documents, or any other amendment or waiver of or any consent to departure from any Transaction Document, including, without limitation, any increase in the obligations of the Issuer under the Indenture and the Notes as a result of further issuances, any rescheduling of the Issuer's obligations under the Notes of the Indenture or otherwise;
- (v) any taking, release or amendment or waiver of, or consent to departure from, any other guaranty or agreement similar in function to this Amended and Restated Guaranty, for all or any of the obligations of the Issuer under the Indenture or the Notes;
- (vi) any manner of sale or other disposition of any assets of any Noteholder;
- (vii) any change, restructuring or termination of the corporate structure or existence of the Issuer or the Guarantor or any Subsidiary thereof or any change in the name, purposes, business, capital stock (including ownership thereof) or constitutive documents of the Issuer or the Guarantor;
- (viii) any failure of the Trustee to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer or any of its Subsidiaries (the Guarantor hereby waiving any duty on the part of the Trustee or any Noteholders to disclose such information);
- (ix) the failure of any other person or entity to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Indenture;

(x) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Trustee or any Noteholder that might otherwise constitute a defense available to, or a discharge of, the Issuer or the Guarantor or any other party; or

(xi) any claim of set-off or other right which the Guarantor may have at any time against the Issuer or the Trustee, whether in connection with this transaction or with any unrelated transaction.

(b) This Amended and Restated Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Noteholder or any other person or entity upon the insolvency, bankruptcy or reorganization of the Issuer or the Guarantor or otherwise, all as though such payment had not been made.

SECTION 4. Independent Obligation.

The obligations of the Guarantor hereunder are independent of the Issuer's obligations under the Notes and the Indenture. The Trustee, on behalf of the Noteholders, may neglect or forbear to enforce payment under the Indenture and the Notes, without in any way affecting or impairing the liability of the Guarantor hereunder. The Trustee shall not be obligated to exhaust recourse or remedies against the Issuer to recover payments required to be made under the Indenture nor take any other action against the Issuer before being entitled to payment from the Guarantor of all amounts contemplated in Section 2 hereof owed hereunder or proceed against or have resort to any balance of any deposit account or credit on the books of the Trustee in favor of the Issuer or in favor of the Guarantor. Without limiting the generality of the foregoing, the Trustee shall have the right to bring a suit directly against the Guarantor, either prior or subsequent to or concurrently with any lawsuit against, or without bringing suit against, the Issuer.

SECTION 5. Waivers and Acknowledgments.

(a) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Amended and Restated Guaranty and any requirement that the Trustee, on behalf of the Noteholders, protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person.

(b) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Amended and Restated Guaranty and acknowledges that this Amended and Restated Guaranty is continuing in nature and applies to the Guaranteed Obligations, whether the same are existing now or in the future.

(c) The Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Noteholder or the Trustee on behalf of the Noteholders that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Guarantor or other rights of the Guarantor to proceed against the Issuer or any other person or entity and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Guaranteed Obligations of the Guarantor hereunder.

(d) The Guarantor hereby unconditionally and irrevocably waives any duty on the part of the Trustee or any Noteholder to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer now or hereafter known by the Trustee or any Noteholder, as applicable.

(e) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Transaction Documents and that the waivers set forth in this Section 5 are knowingly made in contemplation of such benefits.

(f) The recitals contained in this Amended and Restated Guaranty shall be taken as the statements of the Issuer and the Guarantor, as applicable, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Amended and Restated Guaranty, of any offering materials, the Indenture or of the Notes.

(g) The Guarantor unconditionally and irrevocably waives, to the fullest extent permitted under Brazilian law, any benefit it may be entitled to under Articles 827, 834, 835, 838 and 839 of the Brazilian Civil Code, and under Article 595, caput, of the Brazilian Civil Procedure Code.

SECTION 6. Claims Against the Issuer.

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Issuer or any other guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under or in respect of this Amended and Restated Guaranty or any other Transaction Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, or to participate in any claim or remedy of the Trustee, on behalf of the Noteholders, against the Issuer or any other person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or any other person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty and (b) the date on which all of the obligations of the Issuer under the Indenture and the Notes have been discharged in full (the later of such dates being the "Termination Date"), such amount shall be paid over to and received and held by the Trustee in trust for the benefit of the Noteholders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Trustee in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, whether matured or unmatured, in accordance with the terms of the Indenture. If (i) the Guarantor shall make payment to any Noteholder or the Trustee, on behalf of the Noteholders, of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash and (iii) the Termination Date shall have occurred, then the Trustee, on behalf of the Noteholders, will, at the Guarantor's written request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by the Guarantor pursuant to this Amended and Restated Guaranty.

SECTION 7. Representations and Warranties. The Guarantor made the following representations and warranties to the Trustee on behalf of the Noteholders as of the date of the Amended and Restated Standby Purchase Agreement, all of which shall survive the execution and delivery of this Amended and Restated Guaranty:

(a) The Issuer and the Standby Purchaser (collectively, the “Companies”) and the transactions contemplated in (i) the Underwriting Agreement dated as of June 27, 2003 among the Standby Purchaser, the Issuer and the Underwriters (the “Underwriting Agreement”) in connection with the offer and sale of the Original Notes and (ii) the Underwriting Agreement dated as of September 11, 2003, among the Standby Purchaser, the Issuer and Bear Stearns in connection with the offer and sale of the Reopening Notes (the “Second Underwriting Agreement” and together with the Underwriting Agreement, the “Underwriting Agreements”), meet the requirements set forth in Form F-3 under the Securities Act for use of the Registration Statement in connection with the offering of the Notes that are the subject of the Amended and Restated Standby Purchase Agreement.

(b) The Standby Purchaser and the Issuer have filed the Registration Statement with the SEC, the Registration Statement has been declared effective under the Securities Act, no stop order suspending the effectiveness of the Registration Statement (including the Base Prospectus) is in effect and no proceedings for such purposes are pending or, to the best of the Companies’ knowledge, threatened by the SEC.

(c) The Standby Purchaser and the Issuer have filed with the SEC pursuant to Rule 424(b) under the Securities Act a proposed form of supplement to the Base Prospectus with respect to the Original Notes (the “Preliminary Prospectus Supplement”) within the time frame required thereunder. The Base Prospectus as supplemented by the Preliminary Prospectus Supplement, together with any documents incorporated by reference therein, is herein referred to as the “Preliminary Offering Document”.

(d) The Standby Purchaser and the Issuer have filed with the SEC pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Base Prospectus (the “Final Prospectus Supplement”) dated June 27, 2003, relating to the Original Notes and the distribution thereof. The Base Prospectus as supplemented by the Final Prospectus Supplement in the form in which it shall be filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Final Offering Document”.

(e) The Standby Purchaser and the Issuer have filed with the SEC pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Base Prospectus (the “Reopening Prospectus Supplement”) dated September 11, 2003, relating to the Reopening Notes and the distribution thereof. The Base Prospectus as supplemented by the Reopening Prospectus Supplement in the form in which it shall be filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Reopening Offering Document”.

(f) Each of the Companies has filed all the documents required to be filed by it with the SEC pursuant to the Exchange Act, including but not limited to the annual reports on Form 20-F for the year ended December 31, 2002 and Forms 6-K in connection with their respective financial statements for the three months ended March 31, 2003, and the six months ended June 30, 2003. Each document filed or to be filed by the Companies under the Exchange Act complied and will comply when so filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC and the documents incorporated or deemed to be incorporated by reference in the Registration Statement, the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, at the time they were or hereafter are filed with the SEC, complied and will comply in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder.

(g) The Original Indenture, the Reopening Supplemental Indenture and the Amended and Restated Standby Purchase Agreement have been qualified under the TIA, and all filings and other actions required under the TIA to permit the use of the Reopening Indenture, the issuance of the Notes thereunder and the execution by the Standby Purchaser and the Trustee of the Amended and Restated Standby Purchase Agreement have been made and taken prior to the date of the Amended and Restated Standby Purchase Agreement.

(h) Prior to the termination of the offering of the Notes, neither the Standby Purchaser nor the Issuer has filed any amendment to the Registration Statement or supplement to the Final Offering Document or to the Reopening Offering Document which shall not have previously been furnished to the Underwriters or of which the Underwriters shall not previously have been advised or to which the Underwriters shall have reasonably objected in writing.

(i) Each of the Registration Statement, as amended, as of the time it became effective under the Securities Act, and the Final Offering Document as amended or supplemented as of the date thereof and as of the Original Closing Date, contained all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. The Reopening Offering Document as amended or supplemented as of the date of the Amended and Restated Standby Purchase Agreement contains all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. Neither (i) the Registration Statement, as amended, as of the time it became effective under the Securities Act nor (ii) the Final Offering Document as amended or supplemented as of the Original Closing Date, contains or will contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Reopening Offering Document as amended and supplemented as of the date of the Amended and Restated Standby Purchase Agreement does not contain nor will it contain any untrue statement of material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Standby Purchaser does not make any representation or warranty as to the information contained in or omitted from the Registration Statement, the Final Offering Document or the Reopening Offering Document in reliance upon and in conformity with information furnished in writing to the Standby Purchaser and the Issuer by the Underwriters, specifically for inclusion therein, which shall consist solely of the first and sixth paragraphs under the captions "Plan of Distribution" in the Final Prospectus Supplement and the first and sixth paragraphs under the captions "Plan of Distribution" in the Reopening Prospectus Supplement.

(j) Neither the Issuer nor the Standby Purchaser is an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder. After giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Registration Statement, the Final Offering Document and the Reopening Offering Document neither the Issuer nor the Standby Purchaser will be an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

(k) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has paid or agreed to pay to any person any compensation for soliciting another to purchase (i) the Notes or (ii) any other securities of the Standby Purchaser or the Issuer within the last 90 days, except in the case of either (i) or (ii) as contemplated by the Underwriting Agreements.

(l) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has, directly or indirectly, taken any action designed to cause or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Standby Purchaser or the Issuer to facilitate the initial sale or resale of the Notes under the Exchange Act, or otherwise.

(m) The Standby Purchaser has been duly organized and is validly existing as a *sociedade de economia mista* (mixed-capital company) in good standing (to the extent that good standing is applicable under applicable Law) under the Laws of Brazil. Each of the Standby Purchaser’s Significant Subsidiaries (as defined in Rule 12b-2 under the Exchange Act) has been duly incorporated and is validly existing as a corporation in good standing (to the extent relevant) under the Laws of the jurisdiction in which it is chartered or organized. Each of the Standby Purchaser and its Significant Subsidiaries is licensed (if and to the extent necessary) and has the full corporate power and authority to own or lease, as the case may be, and to operate its properties and to conduct its business as described in the Registration Statement, the Final Offering Document and the Reopening Offering Document, and to enter into and perform its obligations under the Amended and Restated Standby Purchase Agreement and the other Reopening Transaction Documents to which it is a party, and is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction which requires such qualification, except, in the case of its Significant Subsidiaries other than the Issuer, where the failure to be so qualified will not have a Material Adverse Effect. The Standby Purchaser owns, directly or indirectly, all of the outstanding equity interests of the Issuer and its other Significant Subsidiaries.

(n) All the outstanding shares of capital stock, if any, of each Subsidiary of the Standby Purchaser have been duly and validly authorized and issued and are fully paid and non-assessable except, in the case of the Subsidiaries (other than the Issuer), as would not have a Material Adverse Effect, and all outstanding shares of capital stock of the Subsidiaries are owned by the Companies, as the case may be, either directly or through wholly owned Subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(o) The Standby Purchaser's capitalization as of the Original Closing Date is as set forth in the Final Offering Document. The Standby Purchaser's capitalization as of the Closing Date is as set forth in the Re-Opening Offering Document.

(p) There have been no material changes with respect to the matters disclosed in "Item 11. Qualitative and Quantitative Disclosure About Market Risk" in the Form 20-F of the Standby Purchaser for the year ended December 31, 2002, except as otherwise specified in the Final Offering Document and the Reopening Offering Document.

(q) The Amended and Restated Standby Purchase Agreement has been duly authorized, executed and delivered by the Standby Purchaser; each of the Amended and Restated Standby Purchase Agreement, the Reopening Supplemental Indenture and each other document executed and delivered in connection therewith to which the Standby Purchaser is party has been duly authorized and, assuming due authorization, execution and delivery thereof by each other party to those Reopening Transaction Documents (other than the Standby Purchaser), when executed and delivered by the Standby Purchaser, will constitute a legal, valid and binding agreement of the Standby Purchaser, enforceable against the Standby Purchaser in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the descriptions of the Reopening Transaction Documents in the Final Offering Document and the Reopening Offering Document fairly summarize the rights and obligations of the parties thereto.

(r) The Notes have been duly authorized, and, when issued under the Reopening Indenture, authenticated by the Trustee and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreements, will have been duly executed, issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity and will be entitled to the benefits provided by the Reopening Indenture as described in the Registration Statement, the Final Offering Document and the Reopening Offering Document.

(s) The Notes will constitute the general unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Issuer that are not, by their terms, expressly subordinated in right of payment to the Notes, except for statutory liens and preferences. The obligations of the Standby Purchaser under the Amended and Restated Standby Purchase Agreement will constitute the general unsecured and unsubordinated obligations of the Standby Purchaser and will rank *pari passu* in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Standby Purchaser that are not, by their terms, expressly subordinated in right of payment to the rights of the Trustee, except for statutory liens and preferences.

(t) No consent, approval, authorization, filing with or order of any Governmental Authority is required for (i) the valid authorization, issuance, sale and delivery of the Notes or (ii) the execution, delivery or performance by the Issuer and the Standby Purchaser of any of their respective obligations under any of the Reopening Transaction Documents in the manner contemplated in the Registration Statement, the Final Offering Document and the Reopening Offering Document including, without limitation, making any of the applicable payments required to be made after the date of the Amended and Restated Standby Purchase Agreement under or in respect of any of the Reopening Transaction Documents, except for (i) the filing of the Final Prospectus Supplement and the Reopening Prospectus Supplement, in each case, pursuant to Rule 424(b) under the Securities Act, which has been effected prior to the date of the Amended and Restated Standby Purchase Agreement, (ii) such consents as may be required under state or foreign securities or blue sky laws and (iii) such filings or consents as may be required by the by-laws and rules of the National Association of Securities Dealers, Inc. or NASD Regulation, Inc. in connection with the use of the Base Prospectus for issuances of securities by the Standby Purchaser and the Issuer and the purchase and distribution of the Notes by the Underwriters and the confirmation by the National Association of Securities Dealers, Inc. that it has no objection with respect to the fairness and reasonableness of the underwriting terms and arrangements, each of which has, to the best of the Companies' knowledge been obtained and is in full force and effect.

(u) Neither of the Issuer nor the Standby Purchaser is currently in violation of its charter, by-laws or comparable organizational documents; neither the issuance and sale of the Notes, the execution and delivery of any of the Reopening Transaction Documents nor the consummation of any of the transactions described or contemplated therein, nor the fulfillment of the terms thereof will conflict with, or give rise to any right to accelerate the maturity or require the prepayment, repurchase or redemption of any indebtedness under, or result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Companies or any of their Material Subsidiaries pursuant to, (i) the charter, by-laws or comparable organizational documents of either of the Issuer or the Standby Purchaser or any of their Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Issuer or the Standby Purchaser or any of their Subsidiaries is a party or is bound or to which any of their property or assets is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Issuer or the Standby Purchaser or any of their Subsidiaries, except in the case of clauses (ii) or (iii) such as could not reasonably be expected to have a Material Adverse Effect.

(v) The consolidated historical financial statements of the Issuer and the Standby Purchaser and their consolidated Subsidiaries included in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, together with the related notes, have been prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods involved (except as otherwise noted therein) and present fairly in all material respects the financial condition, results of operations and cash flows of the Issuer and the Standby Purchaser as of the dates and for the periods indicated; the summary financial information set forth under the captions “Summary Financial Information for PIFCo,” and “Summary Financial Information for Petrobras” in the Preliminary Offering Document, the Reopening Offering Document and the Final Offering Document fairly present, on the basis stated in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, the information included therein. The financial information relating to Petrobras Energia Participaciones S.A.-PEPSA (formerly known as Perez Companc S.A.) and its consolidated Subsidiaries set forth in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document fairly present, on the basis stated in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, the information included therein. Except as disclosed in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, there has been no material adverse change in the operations, business, property or assets of or in the financial condition of either of the Issuer or the Standby Purchaser and their consolidated Subsidiaries, taken as a whole, since December 31, 2002. The segment data and other financial and statistical information incorporated by reference in the Registration Statement, the Final Offering Document and the Reopening Offering Document present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are incorporated by reference in the Registration Statement, the Final Offering Document and the Reopening Offering Document, and the books and records of the respective entities presented therein.

(w) There are no pro forma or consolidated financial statements or other financial statements or data which are required to be included or incorporated by reference in the Registration Statement, the Final Offering Document or the Reopening Offering Document in accordance with Regulation S-X under the Securities Act which have not been included as so required.

(x) The statistical, industry-related and market-related data included in the Preliminary Offering Document and the Final Offering Document or the Reopening Offering Document are based on or derived from sources which the Standby Purchaser and the Issuer reasonably and in good faith believe are reliable and accurate, and such data agree with the sources from which they are derived.

(y) Except as set forth or contemplated in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, neither of the Issuer or the Standby Purchaser has entered into any transaction or agreement (whether or not in the ordinary course of business) material to either of the Issuer or the Standby Purchaser individually or the Issuer and the Standby Purchaser taken as a whole with their consolidated Subsidiaries.

(z) No action, suit or proceeding by or before any Governmental Authority involving the Issuer or the Standby Purchaser or any of their Subsidiaries or their property or assets is pending or, to the best knowledge of the Standby Purchaser, threatened, involving or in any way relating to (i) the Amended and Restated Standby Purchase Agreement, any of the other Reopening Transaction Documents or the transactions contemplated therein or (ii) any other matter that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document. Neither the Issuer, the Standby Purchaser nor any of their Subsidiaries is in violation of or in default with respect to any applicable statute (including, without limitation, any applicable provision of the Sarbanes-Oxley Act, including any rules and regulations thereunder or related thereto), rule, writ, injunction, decree, order or regulation of any Governmental Authority having jurisdiction over such Person which is reasonably likely to have a Material Adverse Effect.

(aa) Each of the Issuer and the Standby Purchaser and each of their respective Subsidiaries has good and marketable title to all of their properties and assets and owns or leases all such properties and assets as are both described in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, and necessary to the conduct of its operations as presently conducted free and clear of any liens, charges, security interests or other encumbrances except such as (i) do not materially interfere with the intended use thereof and (ii) could not reasonably be expected to have a Material Adverse Effect. All leases and subleases material to the business of each of the Companies under which either of the Issuer and the Standby Purchaser holds properties, as described in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document are in full force and effect; and neither the Standby Purchaser nor the Issuer has had any notice that any material claim of any sort has been asserted by anyone adverse to the Standby Purchaser's or the Issuer's rights under any leases or subleases mentioned above, or affecting or questioning the rights thereof to the continued possession of the leased or subleased premises under any such lease or sublease, except as would not result in a Material Adverse Effect.

(bb) Each of PricewaterhouseCoopers Auditores Independentes (“PWC”) and Ernst & Young Auditores Independentes (“E&Y”) (who have certified the financial statements of the Issuer and the Standby Purchaser and supporting schedules and information of Standby Purchaser and the Issuer and their consolidated Subsidiaries and delivered their report with respect to the audited consolidated financial statements and other financial information included, in the case of PWC, in the Preliminary Offering Document and the Final Offering Document and, in the case of both PWC and E&Y, in the Reopening Offering Document relating to the Issuer and the Standby Purchaser and their consolidated Subsidiaries) and Pistrelli, Henry Martin y Asociados S.R.L., a member firm of Ernst & Young (who have delivered their report with respect to financial information included in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document relating to Petrobas Energia Participaciones S.A.- PEPSA (formerly known as Perez Companc S.A.) and its consolidated Subsidiaries) are independent public accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the applicable requirements of Regulation S-X under the Securities Act and the Exchange Act and, in the case of E&Y, are certified public accountants with respect to the Standby Purchaser and the Issuer under the standards established by the local authorities in the Cayman Islands and Brazil, and, in the case of Pistrelli, Henry Martin y Asociados S.R.L., are certified public accountants with respect to Petrobas Energia Participaciones S.A.-PEPSA (formerly known as Perez Companc S.A.) under the standards established by the local authorities in the Republic of Argentina.

(cc) Each of the Issuer and the Standby Purchaser and their respective Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the Issuer and the Standby Purchaser are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against such person or any of its respective properties and all other taxes, assessments, fees or other charges imposed on such person or any of its respective properties by, any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles have been provided on the books of such person); and no material tax liens or material liens with respect to any assessments, fees or other charges have been filed and, to the knowledge of such person, no material claims are being asserted with respect to any such taxes, assessments, fees or other charges.

(dd) The Issuer and the Standby Purchaser and each of their respective Subsidiaries are insured by insurers that the Issuer and the Standby Purchaser reasonably believe to be financially sound against such losses and risks and in such amounts as are prudent and customary in the businesses and in the geographical regions in which they are engaged except when the failure to do so would not have a Material Adverse Effect; and neither of the Issuer or the Standby Purchaser nor any Subsidiary thereof has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(ee) No Subsidiary of the Issuer or the Standby Purchaser is currently prohibited, directly or indirectly, from paying any dividends to either of the Issuer or the Standby Purchaser, from making any other distribution on such Subsidiary's capital stock, from repaying to the Issuer or the Standby Purchaser any loans or advances to such Subsidiary from the Issuer or the Standby Purchaser or from transferring any of such Subsidiary's property or assets to the Issuer or the Standby Purchaser or any other Subsidiary of the Issuer or the Standby Purchaser.

(ff) The Issuer and the Standby Purchaser and their Subsidiaries possess all material licenses, certificates, permits and other authorizations issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could have a Material Adverse Effect.

(gg) To ensure the legality, validity, enforceability or admissibility into evidence of any of the Reopening Transaction Documents, it is not necessary that any such other document be filed or recorded with any court or other authority in Brazil or the Cayman Islands (other than such authorizations or filings that have already been obtained or made, as applicable), or that any stamp or similar tax be paid in either Brazil or the Cayman Islands on or in respect of any such document, except as provided in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document. It is not necessary under the laws of Brazil or the Cayman Islands that any of the holders of the Notes, be licensed, qualified or entitled to carry on business in either Brazil or the Cayman Islands by reason of the execution, delivery, performance or enforcement of any of the Reopening Transaction Documents.

(hh) The Issuer and the Standby Purchaser and each of their respective Subsidiaries each maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(ii) The Issuer and the Standby Purchaser and their respective Subsidiaries (i) are in compliance with any and all applicable Environmental Laws, (ii) have received and are in compliance with all permits, licenses or other approvals required of them under the applicable Environmental Laws to conduct their respective businesses and (iii) except as described in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of clauses (i), (ii) and (iii) above where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has been named as a "potentially responsible party" under the United States Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, nor has the Issuer or any such Subsidiary been identified as the party responsible or potentially responsible for any breach or violation of any other similar Environmental Law.

(jj) In the ordinary course of its business, the Issuer and the Standby Purchaser periodically review the effect of Environmental Laws on the business, operations and properties of the Issuer and the Standby Purchaser and their Subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Issuer and the Standby Purchaser have reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect.

(kk) The information set forth in the Preliminary Offering Document, the Final Offering Document, and the Reopening Offering Document relating to oil and gas reserves, oil and gas wells and any other oil and gas related information required to be disclosed in such Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, has been prepared by the Issuer and the Standby Purchaser in all material respects on the basis disclosed in the Preliminary Offering Document, the Final Offering Document and the Reopening Offering Document, and conforms in all material respects to the requirements of the Securities Act and the Exchange Act, as the case may be.

(ll) The indemnification and contribution provisions set forth in Section 14 of the Amended and Restated Standby Purchase Agreement do not contravene Brazilian or Cayman Islands law or public policy.

(mm) The Issuer and the Standby Purchaser are subject to civil and commercial law in respect of their obligations under the Amended and Restated Standby Purchase Agreement and the Issuer and the Standby Purchaser are not, nor are any of their properties, assets or revenues subject to any right of immunity under Cayman Islands, Brazilian or New York law, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any Cayman Islands, Brazilian, New York or United States federal court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court with respect to its obligations, liabilities or any other matter under or arising out of or in connection therewith; and, to the extent that the Issuer and the Standby Purchaser or any of their properties, assets or revenues may have or may thereafter become entitled to any such right of immunity in any such court in which proceedings arising out of, or relating to the transactions contemplated thereby, may at any time be commenced, the Companies have waived or will waive such right to the extent permitted by law and have consented to such relief and enforcement as provided therein.

(nn) The submission of the Issuer and the Standby Purchaser to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York, County of New York, and the United States District Court for the Southern District of New York (each, a “New York court”) in Section 18 of the Amended and Restated Standby Purchase Agreement, in the case of the Standby Purchaser, and, as applicable, under each of the Reopening Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; the appointment of the Standby Purchaser’s New York Branch located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent for the purpose described in Section 18 of the Amended and Restated Standby Purchase Agreement and under each of the other Reopening Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; and the choice of law provision set forth in Section 18 of the Amended and Restated Standby Purchase Agreement and in each Reopening Transaction Document is legal, valid and binding under the laws of Brazil and the Cayman Islands. Any final judgment of a New York court in respect of any amount payable by the Issuer and the Standby Purchaser under any Reopening Transaction Document and which conforms with Brazilian or Cayman Island, as applicable, law, rule, regulation or public policy and with the provisions for enforcement of foreign judgments set forth in the Final Memorandum be enforceable in the courts of Brazil and the Cayman Islands without reexamination of the merits.

(oo) Any final judgment for a fixed or readily calculable sum of money rendered by any court of the State of New York or of the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Issuer and the Standby Purchaser based upon the Amended and Restated Standby Purchase Agreement would be declared enforceable against the Issuer and the Standby Purchaser by the courts of the Cayman Islands or Brazil, as applicable, without re-examination, review of the merits of the cause of action in respect of which the original judgment was given or relitigation of the matters adjudicated upon or payment of any stamp, registration or similar tax or duty, as provided in the provisions for enforcement of foreign judgments set forth in the Final Offering Document and the Reopening Offering Document.

(pp) No part of the proceeds of the sale of the Notes will be used for any purpose that violates the provisions of any of Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(qq) Both presently and immediately after giving effect to the transactions contemplated by the Amended and Restated Standby Purchase Agreement, in the Final Offering Document and in the Reopening Offering Document, each of the Issuer and the Standby Purchaser (i) is and will be able to pay its debts as they become due and (ii) is not insolvent as defined under applicable Brazilian bankruptcy, insolvency or similar law or Cayman Islands bankruptcy, insolvency or similar law.

(rr) None of the Noteholders, the Underwriters or the Trustee will be deemed resident, domiciled, carrying on business or subject to taxation in Brazil or the Cayman Islands solely by the execution, delivery, performance or enforcement of any of the Reopening Transaction Documents or by virtue of the ownership or transfer of a Note or Exchange Note or the receipt of payment thereon assuming that none of such persons is a resident of Brazil or the Cayman Islands or has a permanent establishment or a fixed base in Brazil or the Cayman Islands.

(ss) No Default or Event of Default (as defined in the Reopening Indenture) has occurred and is continuing.

(tt) There are no Cayman Islands taxes on or by virtue of the execution or delivery of the Amended and Restated Standby Purchase Agreement, the Reopening Indenture, the Notes or any of the other Reopening Transaction Documents or any other document to be furnished thereunder. Payments to be made by the Issuer and the Standby Purchaser or any other party to any of the Reopening Transaction Documents pursuant to the Reopening Transaction Documents will not be subject to Cayman Islands taxes. There are no stamp or other issuance or transfer taxes or duties or other similar fees or charges required to be paid in connection with the execution and delivery of any of the Reopening Transaction Documents or the consummation of any of the other transactions described therein or the issuance and sale by the Issuer of the Notes.

(uu) There is no tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of the Amended and Restated Standby Purchase Agreement or any of the other Reopening Transaction Documents or (ii) on any payment to be made by the Standby Purchaser to the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the holders (that are non-residents of Brazil) of the Notes pursuant to the Amended and Restated Standby Purchase Agreement, except with respect to any payment of interest, fees or other income made to a party thereto outside of Brazil from funds of the Standby Purchaser in Brazil each of which currently would be subject to a withholding tax which, as of the date thereof, is levied at the rate of 15%, 25% if the beneficiary is domiciled in a tax haven jurisdiction or such other lower rate, as it may be contemplated in a bilateral treaty aimed at avoiding double taxation between Brazil and such other country where the recipient of the payment has its domicile. The Standby Purchaser is permitted to make all payments pursuant to the Amended and Restated Standby Purchase Agreement free and clear of all taxes, levies, imposts, deductions, charges or withholdings imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein, and no such payment in the hands of the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the Holders (that are non-residents of Brazil) of the Notes will be subject to any tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority therein or thereof, in each case except as provided in the immediately preceding sentence. The Standby Purchaser intends to make all payments pursuant to the Amended and Restated Standby Purchase Agreement from funds offshore Brazil. The Standby Purchaser does not believe or reasonably expect that any interest paid or purchases of Purchase Obligations (as defined in the Amended and Restated Standby Purchase Agreement) made by the Standby Purchaser pursuant to the terms thereof will constitute interest paid by a trade or business in the United States within the meaning of Section 884 (f) (1) (A) of the Internal Revenue Code of 1986, as amended. To ensure the legality, validity, enforceability or admissibility in evidence of the Amended and Restated Standby Purchase Agreement in Brazil, it is not necessary that the Amended and Restated Standby Purchase Agreement or any other document be filed or recorded with any court or other authority in Brazil, other than the notarization of the signatures of the parties signing outside Brazil, the subsequent consularization (authentication) of the signature of such a notary by a Brazilian consulate official and the subsequent translation of the Amended and Restated Standby Purchase Agreement into Portuguese by a sworn translator, or that any stamp or similar tax be paid on or in respect of the Amended and Restated Standby Purchase Agreement or any of the other Reopening Transaction Documents.

(vv) After being notarized, consularized and translated into Portuguese by a sworn translator, the Amended and Restated Standby Purchase Agreement will be in proper legal form under the laws of Brazil for the enforcement thereof in Brazil.

(ww) To the extent the Standby Purchaser or its respective property has or may in the future have any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, set-off or counterclaim, the jurisdiction of any competent court, service of process, attachment or execution, in any jurisdiction, with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with the Amended and Restated Standby Purchase Agreement and any other Reopening Transaction Documents, the Standby Purchaser has effectively waived such rights as provided in Section 18 of the Amended and Restated Standby Purchase Agreement; provided that no assets of the Standby Purchaser which are specifically used in the furtherance of the activities listed in Article 177 of the Brazilian Constitution, in respect of which the Brazilian government has a monopoly, could be used by any person in Brazil acquiring such assets as a result of the execution thereof in violation of the provisions contained in such Article 177 of the Brazilian Constitution. The execution and delivery of the Amended and Restated Standby Purchase Agreement by the Standby Purchaser and the performance of its obligations thereunder by the Standby Purchaser constitute private and commercial acts rather than governmental or public acts.

(xx) Except as described in the Final Offering Document and in the Reopening Offering Document, and except as to matters, individually or in the aggregate, which could not reasonably be expected to have a Material Adverse Effect:

(i) The Standby Purchaser and its Material Subsidiaries have obtained all environmental permits with respect to the business in which they are engaged and with respect to the facilities and properties owned, leased or operated by the Standby Purchaser or any of its Material Subsidiaries, and the business and all operations at the properties of the Standby Purchaser are in compliance with all environmental permits and are otherwise in compliance with all environmental laws;

(ii) No officer of the Standby Purchaser or of any of its Material Subsidiaries has received any notice of any claim with respect to any of the properties, the business or otherwise, nor does the Standby Purchaser have knowledge or reason to believe that any such claim will be received or is threatened; and

(iii) There are no past or present actions, activities, events, conditions or circumstances, including the release, threatened, release, emission, discharge, generation, treatment, storage or disposal of any hazardous materials at any locations, that would reasonably be expected to give rise to liability of the Standby Purchaser or any of its Material Subsidiaries under any law or any contract or agreement.

(yy) The Standby Purchaser has, independently and without reliance upon any Noteholder and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Amended and Restated Standby Purchase Agreement and each other Reopening Transaction Document to which it is or is to be a party, and the Standby Purchaser has established adequate means of obtaining from the Issuer on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of the Issuer.

SECTION 8. Covenants.

For so long as the Notes remain outstanding or any amount remains unpaid on the Notes and the Indenture, the Guarantor will, and will cause each of its Subsidiaries to, comply with the terms and covenants set forth below (except as otherwise provided in a duly authorized amendment to this Amended and Restated Guaranty as provided herein):

(a) Performance of Obligations. The Guarantor shall pay all amounts owed by it and comply with all its other obligations under the terms of this Amended and Restated Guaranty and the Indenture in accordance with the terms thereof.

(b) Maintenance of Corporate Existence. The Guarantor will, and will cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor except as otherwise permitted by Section 8(m) and (ii) take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided, however*, that this Section 8(b) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any such right, privilege, title to property or franchise or require the Guarantor to preserve the corporate existence of any Subsidiary, if, in each case, the failure to do so does not, and will not, have a Material Adverse Effect.

(c) Maintenance of Properties. The Guarantor will, and will cause each of its Subsidiaries to, maintain and keep in good condition, repair and working order (normal wear and tear excepted) all properties used or useful in the conduct of its or its Subsidiaries businesses, and will, and will cause each of its Subsidiaries to, make all necessary repairs, renewals, replacements and improvements thereof, all as in the judgment of the Guarantor shall be necessary properly to conduct at all times the business carried on in connection therewith; *provided*, that this Section 8(c) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any of such properties if the failure to maintain such properties does not, and will not, have a Material Adverse Effect.

(d) Compliance with Laws and Agreements. The Guarantor will comply, and will cause its Subsidiaries to comply, at all times in all material respects with all applicable Laws (including, without limitation, Environmental Laws), rules, regulations, orders and directives of any Governmental Authority having jurisdiction over the Guarantor and each Subsidiary thereof or their businesses or any of the transactions contemplated herein. The Guarantor will also comply, and will cause its Subsidiaries to comply, with all covenants and other obligations contained in any agreements to which they are a party, except where the failure so to comply would not have a Material Adverse Effect.

(e) Maintenance of Governmental Approvals. The Guarantor will, and will cause its Subsidiaries to, duly obtain and maintain in full force and effect all approvals of Governmental Authorities and third-parties, consents or licenses which are necessary under the laws of Brazil, the Cayman Islands or any other jurisdiction having jurisdiction over the Guarantor and each Subsidiary thereof in connection with the execution, delivery and performance of this Amended and Restated Guaranty and each other Transaction Document by the Guarantor or the validity or enforceability of any thereof.

(f) Payments of Taxes and Other Claims. The Guarantor will, and will cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Guarantor or such Subsidiary, as the case may be, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Guarantor or such Subsidiary, as the case may be; provided, however, that this Section 8(f) shall not require the Guarantor to, or to cause any Subsidiary thereof to, pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings or where the failure to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim would not have a Material Adverse Effect.

(g) Maintenance of Ownership of the Issuer. For so long as any Notes are outstanding, the Guarantor will retain no less than 51% direct or indirect ownership of the outstanding voting and economic interests (equity or otherwise) of and in the Issuer.

(h) Maintenance of Insurance. The Guarantor will, and will cause each of its Subsidiaries to, maintain insurance with insurance companies that the Guarantor reasonably believes to be financially sound in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning or operating properties or facilities similar to those owned and operated by the Guarantor or its Subsidiaries, as the case may be, in the same general areas in which the Guarantor and its Subsidiaries own or operate their properties or facilities, except where the failure to do so would not have a Material Adverse Effect.

(i) Maintenance of Books and Records. The Guarantor shall, and shall cause each of its Material Subsidiaries to, maintain books, accounts and records in accordance with Reporting GAAP, in the case of the Guarantor and the Issuer, and, in the case of each other Subsidiary of the Guarantor, generally accepted accounting principles in the jurisdiction of each such Subsidiary is organized.

(j) Maintenance of Office or Agency. So long as any of the Notes are outstanding, the Guarantor will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon the Guarantor in respect of this Amended and Restated Guaranty may be served, and the Guarantor will not change the designation of such office without prior written notice to the Trustee and designation of a replacement office in the same general location.

(k) Ranking. The Guarantor will ensure at all times that its obligations under this Amended and Restated Guaranty will constitute the general senior unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu*, without any preferences among themselves, with all other present and future senior unsecured and unsubordinated obligations of the Guarantor (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of the Guarantor under this Amended and Restated Guaranty.

(l) Notice of Defaults. The Guarantor will give written notice to the Trustee, as soon as is practicable and in any event within ten calendar days after the Guarantor becomes aware, or should reasonably become aware, of the occurrence of any Default or Event of Default, accompanied by a certificate of an officer of the Guarantor setting forth the details thereof and stating what action the Guarantor proposes to take with respect thereto.

(m) Limitation on Consolidation, Merger, Sale or Conveyance. (i) The Guarantor will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect Subsidiary of the Guarantor) or permit any person or entity (other than a direct or indirect Subsidiary of the Guarantor) to merge with or into it, unless:

(A) either the Guarantor is the continuing entity or the person (the “Successor Company”) formed by such consolidation or into which the Guarantor is merged or that acquired or leased such property or assets of the Guarantor will be a corporation organized and validly existing under the laws of Brazil and shall assume (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to this Amended and Restated Guaranty (the form and substance of which shall be previously approved by the Trustee), all of the Guarantor’s obligations under this Amended and Restated Guaranty;

(B) the Successor Company (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each Noteholder against any tax, assessment or governmental charge thereafter imposed on such Noteholder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes pursuant to this Amended and Restated Guaranty;

(C) immediately after giving effect to such transaction, no Event of Default, and no Default has occurred and is continuing;

(D) the Guarantor has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such merger consolidation, sale, transfer or other conveyance or disposition and the amendment to this Amended and Restated Guaranty comply with the terms of this Amended and Restated Guaranty and that all conditions precedent provided for herein and relating to such transaction have been complied with; and

(E) the Guarantor has delivered notice of any such transaction to Moody's (which notice shall contain a description of such merger, consolidation or conveyance).

(ii) Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and the Guarantor has delivered notice of any such transaction to Moody's and the Trustee (which notice shall contain a description of such merger, consolidation or conveyance):

(A) the Guarantor may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect Subsidiary of the Guarantor in cases when the Guarantor is the surviving entity in such transaction and such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole, it being understood that if the Guarantor is not the surviving entity, the Guarantor shall be required to comply with the requirements set forth in the previous paragraph; or

(B) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than the Guarantor or any of its Subsidiaries or Affiliates) in cases when such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole; or

(C) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any direct or indirect Subsidiary of the Guarantor; or

(D) any direct or indirect Subsidiary of the Guarantor may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor, and would not result in a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of the Guarantor.

(n) Negative Pledge. So long as any Note remains outstanding, the Guarantor will not create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness or (ii) the Indebtedness of any other person, unless the Guarantor contemporaneously creates or permits such Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture. In addition, the Guarantor will not allow any of the Guarantor's Subsidiaries to create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness, (ii) any of its own Indebtedness or (iii) the Indebtedness of any other person, unless it contemporaneously creates or permits the Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor or such Subsidiary provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture.

(o) Transactions with Affiliates. The Guarantor shall not, and shall not permit any of its Subsidiaries to, enter into or carry out (or agree to enter into or carry out) any transaction or arrangement with any Affiliate, except for any transaction or arrangement entered into or carried out on terms no less favorable to the Guarantor or such Subsidiary than those which could have been obtained on an arm's-length basis with a person that is not an Affiliate, provided, however, that the foregoing shall not apply to transactions (i), between the Guarantor and the Issuer or any Subsidiary of the Issuer or (ii) except as otherwise permitted pursuant to clause (i), between or among the Guarantor, the Issuer and any of their respective Subsidiaries not involving any other person so long as consummation of any such transaction described in this clause (ii) will not have a Material Adverse Effect.

(p) Provision of Financial Statements and Reports. (i) The Guarantor will provide to the Trustee, in English or accompanied by a certified English translation thereof, (A) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP, (B) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP and (C) such other financial data as the Trustee may reasonably request.

(ii) The Guarantor will provide, together with each of the financial statements delivered pursuant to Sections 8(p)(i)(A) and (B), an Officer's Certificate stating that a review of the activities of the Guarantor and the Issuer has been made during the period covered by such financial statements with a view to determining whether the Guarantor and the Issuer have kept, observed, performed and fulfilled their covenants and agreements under this Amended and Restated Guaranty and the Indenture, as applicable, and that no Default or Event of Default has occurred during such period or, if one or more have actually occurred, specifying all such events and what actions have been taken and will be taken with respect to such Default or Event of Default.

(iii) The Guarantor shall, whether or not it is required to file reports with the SEC, file with the SEC and deliver to the Trustee (for redelivery to all Noteholders) all reports and other information as it would be required to file with the SEC under the Exchange Act if it were subject to those regulations; *provided, however*, that if the SEC does not permit the filing described in the first sentence of this Section 8(p)(iii), the Guarantor will provide annual and interim reports and other information to the Trustee within the same time periods that would be applicable if the Guarantor were required and permitted to file these reports with the SEC.

(q) Further Actions. The Guarantor will, at its own cost and expense, and will cause its Subsidiaries to, at their own cost and expense, take any action, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, in the reasonable opinion of the Trustee, in accordance with applicable Laws (as applicable) to be taken, fulfilled or done in order to (i) enable the Guarantor to lawfully enter into, exercise its rights and perform and comply with its obligations under this Amended and Restated Guaranty and each of the other Transaction Documents to which it is a party, as the case may be, (ii) ensure that the Guarantor's obligations under this Amended and Restated Guaranty and each of the other Transaction Documents are legally binding and enforceable, (iii) make this Amended and Restated Guaranty and each of the other Transaction Documents admissible in evidence in the courts of the State of New York, Brazil or the Cayman Islands, (iv) enable the Trustee to exercise and enforce its rights under and carry out the terms, obligations, provisions and purposes of this Amended and Restated Guaranty and each of the other Transaction Documents, (v) take any and all action necessary to preserve the enforceability of, and maintain the Trustee's rights under this Amended and Restated Guaranty and the other Transaction Documents, including, without limitation, refraining from taking any action that reasonably can be expected to have an adverse effect on the enforceability of, or any of the Trustee's rights under, this Amended and Restated Guaranty and the other Transaction Documents, and (vi) assist the Trustee in the Trustee's performance of its obligations under this Amended and Restated Guaranty and the other Transaction Documents; *provided, however*, that the Guarantor shall not be required to take any action contemplated herein if it promptly (and in no event later than two Business Days after any such request) provides to the Trustee a written opinion from counsel reasonably acceptable to the Trustee specifying that the failure to take such action or satisfy such condition would not have an adverse effect on the rights of the Noteholders.

SECTION 9. Amendments,Etc.

No amendment or waiver of any provision of this Amended and Restated Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Trustee and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. For the avoidance of doubt, Article IX of the Indenture shall apply to an amendment to this Amended and Restated Guaranty to determine whether the consent of Holders is required for an amendment and if so, the required percentage of Holders of the Notes required to approve the amendment.

SECTION 10. Indemnity.

(a) Without limitation on any other obligations of the Guarantor or remedies of the Trustee under this Amended and Restated Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Trustee and its officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Guaranteed Obligation to be the legal, valid and binding obligations of the Guarantor enforceable against it in accordance with their terms.

(b) The Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Guarantor or any of its Affiliates or any of their respective officers, directors, employees, agents and advisors, and the Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Transaction Documents or any of the transactions contemplated by the Transaction Documents.

SECTION 11. Notices, Etc.

(a) All notices and other communications provided for hereunder shall be in writing (including telegraphic or teletype) and mailed, teletyped or delivered by hand, if to the Guarantor, addressed to it at Avenida República do Chile, 65, 20035-900 Rio de Janeiro - RJ, Brazil, Telephone: (55-21) 3224-4079, Telecopier: (55-21) 3224-6197, Attention: Sonia Tereza Terra Figueiredo Vasconcellos, Corporate Finance & Treasury/Debt Control, if to the Trustee, at The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York, 10286, USA, Telephone: (1-212) 815-5616, Telecopier: (1-212) 815-5603, Attention: Corporate Trust Department or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when teletyped, be effective when transmitted. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Amended and Restated Guaranty shall be effective as delivery of an original executed counterpart thereof.

(b) All payments made by the Guarantor to the Trustee hereunder shall be made to the Payment Account (as defined in the Indenture).

SECTION 12. Survival.

Without prejudice to the survival of any of the other agreements of the Guarantor under this Amended and Restated Guaranty or any of the other Transaction Documents, the agreements and obligations of the Guarantor contained in Section 2 (with respect to the payment of all other amounts owed under the Indenture), Section 7, Section 10 and Section 15 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Amended and Restated Guaranty, the termination of this Amended and Restated Guaranty and/or the resignation or removal of the Trustee.

SECTION 13. No Waiver; Remedies.

No failure on the part of the Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 14. Continuing Agreement; Assignment of Rights Under the Indenture and the Notes.

This Amended and Restated Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the repayment in full by the Issuer of all amounts due and owing under the Indenture with respect to the Notes and (ii) the repayment in full of all Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Trustee, on behalf of Noteholders, and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Noteholder may assign or otherwise transfer its rights and obligations under the Indenture (including, without limitation, the Note or Notes held by it) to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Noteholder herein or otherwise, in each case as and to the extent provided in the Indenture. The Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of all of the Noteholders.

SECTION 15. Currency Rate Indemnity.

(a) The Guarantor shall (to the extent lawful) indemnify the Trustee and the Noteholders and keep them indemnified against:

(i) in the case of nonpayment by the Guarantor of any amount due to the Trustee, on behalf of the Noteholders, under this Amended and Restated Guaranty any loss or damage incurred by any of them arising by reason of any variation between the rates of exchange used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Guarantor; and

(ii) any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which the local currency equivalent of the amounts due or contingently due under this Amended and Restated Guaranty or in respect of the Notes is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Guarantor, and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any bankruptcy, insolvency or liquidation or any distribution of assets in connection therewith.

(b) The Guarantor agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of its obligations hereunder is expressed in a currency (the “Judgment Currency”) other than U.S. dollars (the “Denomination Currency”), it will indemnify the relevant Holder and the Trustee against any deficiency arising or resulting from any variation in rates of exchange between the date at which the amount in the Denomination Currency is notionally converted into the amount in the Judgment Currency for the purposes of such judgment or order and the date of actual payment thereof.

(c) The above indemnities shall constitute separate and independent obligations of the Guarantor from its obligations hereunder, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or the filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Guarantor for a liquidated sum or sums in respect of amounts due under this Amended and Restated Guaranty, or under the Indenture or the Notes or under any judgment or order.

SECTION 16. Governing Law; Jurisdiction; Waiver of Immunity, Etc.

(a) This Amended and Restated Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amended and Restated Guaranty or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding against the Issuer or the Guarantor, as the case may be, relating to this Amended and Restated Guaranty or any other Transaction Document in the courts of any jurisdiction.

(c) The Guarantor hereby irrevocably appoints and empowers the New York office of Petróleo Brasileiro S.A., located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent (the “Process Agent”) to accept and acknowledge for and on its behalf and on behalf of its property service of any and all legal process, summons, notices and documents which may be served in any such suit, action or proceedings in any New York State court or United States federal court sitting in the State of New York in the Borough of Manhattan and any appellate court from any thereof, which service may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. The Guarantor will take any and all action necessary to continue such designation in full force and effect and to advise the Trustee of any change of address of such Process Agent and; should such Process Agent become unavailable for this purpose for any reason, the Guarantor will promptly and irrevocably designate a new Process Agent within New York, New York, which will agree to act as such, with the powers and for the purposes specified in this subsection (c). The Guarantor irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by hand delivery, to it at its address set forth in Section 10 or to any other address of which it shall have given notice pursuant to Section 10 or to its Process Agent. Service upon the Guarantor or the Process Agent as provided for herein will, to the fullest extent permitted by law, constitute valid and effective personal service upon it and the failure of the Process Agent to give any notice of such service to the Guarantor shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

(d) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party in any New York State or federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(e) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY NOTEHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

(f) This Amended and Restated Guaranty and any other documents delivered pursuant hereto, and any actions taken hereunder, constitute commercial acts by the Guarantor. The Guarantor irrevocably and unconditionally and to the fullest extent permitted by law, waives, and agrees not to plead or claim, any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) for itself, the Issuer or any of their property, assets or revenues wherever located with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Amended and Restated Guaranty, any of the Transaction Documents or any document delivered pursuant hereto, in each case for the benefit of each assigns, it being intended that the foregoing waiver and agreement will be effective, irrevocable and not subject to withdrawal in any and all jurisdictions, and, without limiting the generality of the foregoing, agrees that the waivers set forth in this subsection (f) shall have the fullest scope permitted under the United States Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for the purposes of such act.

SECTION 17. Execution in Counterparts.

This Amended and Restated Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amended and Restated Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Amended and Restated Guaranty.

SECTION 18. Entire Agreement.

This Amended and Restated Guaranty, together with the Indenture and the Notes, sets forth the entire agreement of the parties hereto with respect to the subject matter hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Amended and Restated Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Sérgio Túlio da R. Tinoco

Name: Sérgio Túlio da R. Tinoco

Title: Chief Financial Officer

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON, as Trustee and not

in its individual capacity

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

AMENDED AND RESTATED GUARANTY

Dated as of February 10, 2012

between

PETRÓLEO BRASILEIRO S.A.—PETROBRAS,

as Guarantor,

and

THE BANK OF NEW YORK MELLON, as

Trustee for the Noteholders

Referred to Herein

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The Guaranty dated as of March 31, 2010 (the “Original Guaranty”) is hereby amended and restated in its entirety as follows:

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY (this “Amended and Restated Guaranty”), dated as of February 10, 2012, between PETRÓLEO BRASILEIRO S.A.—PETROBRAS (the “Guarantor”), a *sociedade de economia mista* organized and existing under the laws of the Federative Republic of Brazil (“Brazil”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, as trustee for the holders of the Notes (as defined below) issued pursuant to the Indenture (as defined below) (the “Trustee”).

WITNESSETH:

WHEREAS, Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a wholly-owned Subsidiary of the Guarantor (the “Issuer”), has entered into an Indenture dated as of July 19, 2002 (the “Original Indenture”) with the Trustee (as successor to JPMorgan Chase Bank, a New York banking corporation), as supplemented by the amended and restated third supplemental indenture dated as of March 31, 2010, among the Issuer, the Guarantor and the Trustee (the “2010 Amended and Restated Third Supplemental Indenture”), and further supplemented by the sixth supplemental indenture dated as of the date hereof, among the Issuer, the Guarantor and the Trustee (the “Sixth Supplemental Indenture”). The Original Indenture, as supplemented by the 2010 Amended and Restated Third Supplemental Indenture and the Sixth Supplemental Indenture and as amended or supplemented from time to time with respect to the Notes, is hereinafter referred to as the “Indenture”;

WHEREAS, the Issuer has duly authorized the issuance of its notes in such principal amount or amounts as may from time to time be authorized in accordance with the Indenture and has, as of December 10, 2003, issued U.S.\$750,000,000 aggregate principal amount of its 8.375% Global Notes due 2018 (the “Notes”) under the Original Indenture as supplemented by the third supplemental indenture, dated as of December 10, 2003, by and among the Issuer, the Guarantor and the Trustee (the “December 2003 Third Supplemental Indenture” and together with the Original Indenture, the “Third Supplemental Indenture”);

WHEREAS, the Guarantor, in its capacity as the Standby Purchaser (the “Standby Purchaser”), had entered into the Standby Purchase Agreement (the “Standby Purchase Agreement”) on December 10, 2003 in order to provide the holders of the Notes (the “Noteholders”) with assurances that, if the Issuer shall fail to make all required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Standby Purchaser would be obligated, without any action on the part of the Noteholders, to immediately purchase the rights of the Noteholders to receive such amounts in consideration of the payment by the Standby Purchaser of an amount of funds equal to the amounts then owed by the Issuer under the Indenture and the Notes, subject to the provisions thereof;

WHEREAS, the Guarantor replaced the Standby Purchase Agreement with the Original Guaranty on March 31, 2010 in order to provide the Noteholders with an irrevocable and unconditional guaranty that, if the Issuer shall fail to make any required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Guarantor will pay any such amounts whether at stated maturity, or earlier or later by acceleration or otherwise;

WHEREAS, the Guarantor wishes to amend the Original Guaranty to replace the term “U.S. GAAP” by “Reporting GAAP” in certain sections hereof;

WHEREAS, the Guarantor agrees that it has and will derive substantial direct and indirect benefits from the issuance of the Notes by the Issuer;

WHEREAS, each of the parties hereto is entering into this Amended and Restated Guaranty for the benefit of the other party and for the equal and ratable benefit of the Noteholders;

WHEREAS, Section 9 of the Original Guaranty and Section 9.01 of the Indenture provide that the Trustee and the Guarantor may enter into amendments to the Original Guaranty and the Indenture provided that such action does not adversely affect the interests of the Noteholders in any material respect.

NOW, THEREFORE, the Guarantor and the Trustee hereby agree as follows:

SECTION 1. Definitions

(a) All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented. All such definitions shall be read in a manner consistent with the terms of this Amended and Restated Guaranty.

(b) As used herein, the following capitalized terms shall have the following meanings:

“Affiliate,” with respect to any Person, means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; it being understood that for purposes of this definition, the term “*control*” (including the terms “*controlling*,” “*controlled by*” and “*under common control with*”) of a Person shall mean the possession, direct or indirect, of the power to vote 25% or more of the equity or similar voting interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Authorized Representative” of the Guarantor or any other Person means the person or persons authorized to act on behalf of such entity by its chief executive officer, president, chief operating officer, chief financial officer or any vice president or its Board of Directors or any other governing body of such entity.

“Base Prospectus” has the meaning set forth in the definition of Registration Statement herein.

“Board of Directors”, when used with respect to a corporation, means either the board of directors of such corporation or any committee of that board duly authorized to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorized by the organizational documents or by the voting equity owners of such entity to act for them.

“Companies” has the meaning specified in Section 7(a).

“Denomination Currency” has the meaning specified in Section 15(b).

“Final Offering Document” has the meaning specified in Section 7(d).

“Final Prospectus Supplement” has the meaning specified in Section 7(d).

“Guaranteed Obligations” has the meaning specified in Section 2.

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

“Indemnified Party” has the meaning specified in Section 10(a).

“Judgment Currency” has the meaning specified in Section 15(b).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, assets, property, condition (financial or otherwise) or, results of operation, of the Guarantor together with its consolidated Subsidiaries, taken as a whole, (b) the validity or enforceability of this Amended and Restated Guaranty or any other Transaction Document or (c) the ability of the Guarantor to perform its obligations under this Amended and Restated Guaranty or any other Transaction Document, or (d) the material rights or benefits available to the Noteholders or the Trustee, as representative of the Noteholders under the Indenture, this Amended and Restated Guaranty or any of the other Transaction Documents.

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 7.5% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Officer’s Certificate” means a certificate of an Authorized Representative of the Guarantor.

“Opinion of Counsel” means a written opinion of counsel from any Person either expressly referred to herein or otherwise reasonably satisfactory to the Trustee which may include, without limitation, counsel for the Guarantor, whether or not such counsel is an employee of the Guarantor.

“Original Transaction Documents” means, collectively, the Third Supplemental Indenture, the Notes and the Standby Purchase Agreement.

“Permitted Lien” means a:

(i) Lien granted in respect of Indebtedness owed to the Brazilian government, *Banco Nacional de Desenvolvimento Econômico e Social* or any official government agency or department of Brazil or of any state or region thereof;

(ii) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Guarantor’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;

(iii) Lien arising from the Guarantor’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Guarantor’s past practice;

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

(v) Lien granted upon or with respect to any assets hereafter acquired by the Guarantor or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets;

(vi) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Guarantor or another Wholly-Owned Subsidiary;

(vii) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Guarantor or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(viii) Lien over any Qualifying Asset relating to a project financed by, and securing Indebtedness incurred in connection with, the Project Financing of such project by the Guarantor, any of the Guarantor’s Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

(ix) Lien existing as of the date of the Indenture;

(x) Lien resulting from the Transaction Documents;

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

(xii) 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 a Lien referred to in paragraphs (i) through (xi) above (but not paragraph (iv)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (i), (ii), (iii) and (vii), the obligees meet the requirements of such paragraphs and in the case of paragraph (viii), the Indebtedness is incurred in connection with a Project Financing by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary have any ownership or other similar interests; and

(xiii) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Guarantor's Permitted Liens pursuant to clauses (i) through (xii) of this definition, does not exceed 7.5% of the Guarantor's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Guarantor's balance sheet is prepared and published in accordance with applicable Law.

“Person” means any individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Preliminary Offering Document” has the meaning specified in Section 7(c).

“Preliminary Prospectus Supplement” has the meaning specified in Section 7(c).

“Process Agent” has the meaning specified in Section 16(c).

“Project Financing” of any project means the incurrence of Indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such Indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more Qualifying Assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such Indebtedness.

“Qualifying Asset” in relation to any Project Financing means:

- (i) any concession, authorization or other legal right granted by any Governmental Authority to the Guarantor or any of the Guarantor's Subsidiaries, or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

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

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

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

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

“Registration Statement” means the registration statement on Form F-3 under the Securities Act, initially dated July 5, 2002 and as amended on July 19, 2002 and further amended on August 14, 2002, filed with the SEC (File No. 333-92044) covering the registration of the Notes under the Securities Act and including the related base prospectus in the form dated August 14, 2002 (the “Base Prospectus”) at the time such registration statement was declared effective by the SEC, as amended to the date hereof (including any post-effective amendment that includes a prospectus or prospectus supplement), together with any documents incorporated by reference therein.

“Reporting GAAP” means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) as from the date the Guarantor adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Successor Company” has the meaning specified in Section 8(m)(A).

“Termination Date” has the meaning specified in Section 6.

“TIA” means the United States Trust Indenture Act of 1939, as amended.

“Transaction Documents” means, collectively, the Indenture, the Notes and this Amended and Restated Guaranty.

“U.S. GAAP” means generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

“Underwriters” means Credit Suisse First Boston LLC and Lehman Brothers Inc., acting as such under the Underwriting Agreement.

“Underwriting Agreement” has the meaning specified in Section 7(a).

(c)Construction. The parties agree that items (1) through (5) of Section 1.01 of the Indenture shall apply to this Amended and Restated Guaranty, except as otherwise expressly provided or unless the context otherwise requires.

SECTION 2. Guaranty.

(a) The Guarantor hereby unconditionally and irrevocably guarantees the full and punctual payment when due, as a guaranty of payment and not of collection, whether at the Stated Maturity, or earlier or later by acceleration or otherwise, of all obligations of the Issuer now or hereafter existing under the Indenture and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses or otherwise (such obligations being the “Guaranteed Obligations”), and the Guarantor agrees to pay any and all expenses (including reasonable and documented counsel fees and expenses) incurred by the Trustee or any Noteholder in enforcing any rights under this Amended and Restated Guaranty with respect to such Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor’s liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Issuer to the Trustee or any Noteholder under the Indenture and the Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization or similar proceeding involving the Issuer.

(b) In the event that the Issuer does not make payments to the Trustee of all or any portion of the Guaranteed Obligations, upon receipt of notice of such non-payment by the Trustee, the Guarantor will make immediate payment to the Trustee of any such amount or portion of the Guaranteed Obligations owing or payable under the Indenture and the Notes. Such notice shall specify the amount or amounts under the Indenture and the Notes that were not paid on the date that such amounts were required to be paid under the terms of the Indenture and the Notes.

(c) The obligation of the Guarantor under this Amended and Restated Guaranty shall be absolute and unconditional upon receipt by it of the notice contemplated herein absent manifest error. The Guarantor shall not be relieved of its obligations hereunder unless and until the Trustee shall have indefeasibly received all amounts required to be paid by the Guarantor hereunder (and any Event of Default under the Indenture has been cured, it being understood that the Guarantor's obligations hereunder shall terminate following payment by the Issuer and/or the Guarantor of the entire principal, all accrued interest and all other amounts due and owing in respect of the Notes and the Indenture. All amounts payable by the Guarantor hereunder shall be payable in U.S. dollars and in immediately available funds to the Trustee.

All payments actually received by the Trustee pursuant to this Section 2 after 1:00 p.m. (New York time) on any Business Day will be deemed, for purposes of this Amended and Restated Guaranty, to have been received by the Trustee on the next succeeding Business Day.

SECTION 3. Guaranty Absolute

(a) The Guarantor's obligations under this Amended and Restated Guaranty are absolute and unconditional regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Noteholder under its Notes or the Indenture. The obligations of the Guarantor under or in respect of this Amended and Restated Guaranty are independent of the Guaranteed Obligations or any other obligations of the Issuer, the Issuer's Subsidiaries or the Guarantor's Subsidiaries under or in respect of the Indenture and the Notes or any other document or agreement, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Amended and Restated Guaranty, irrespective of whether any action is brought against the Issuer or whether the Issuer is joined in any such action or actions. The liability of the Guarantor under this Amended and Restated Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

- (i) any lack of validity or enforceability of any of the Transaction Documents;
- (ii) any provision of applicable Law or regulation purporting to prohibit the payment by the Issuer of any amount payable by it under the Indenture and the Notes;
- (iii) any provision of applicable Law or regulation purporting to prohibit the payment by the Guarantor of any amount payable by it under this Amended and Restated Guaranty;
- (iv) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other person or entity under or in respect of the Transaction Documents, or any other amendment or waiver of or any consent to departure from any Transaction Document, including, without limitation, any increase in the obligations of the Issuer under the Indenture and the Notes as a result of further issuances, any rescheduling of the Issuer's obligations under the Notes of the Indenture or otherwise;

(v) any taking, release or amendment or waiver of, or consent to departure from, any other guaranty or agreement similar in function to this Amended and Restated Guaranty, for all or any of the obligations of the Issuer under the Indenture or the Notes;

(vi) any manner of sale or other disposition of any assets of any Noteholder;

(vii) any change, restructuring or termination of the corporate structure or existence of the Issuer or the Guarantor or any Subsidiary thereof or any change in the name, purposes, business, capital stock (including ownership thereof) or constitutive documents of the Issuer or the Guarantor;

(viii) any failure of the Trustee to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer or any of its Subsidiaries (the Guarantor hereby waiving any duty on the part of the Trustee or any Noteholders to disclose such information);

(ix) the failure of any other person or entity to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Indenture;

(x) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Trustee or any Noteholder that might otherwise constitute a defense available to, or a discharge of, the Issuer or the Guarantor or any other party; or

(xi) any claim of set-off or other right which the Guarantor may have at any time against the Issuer or the Trustee, whether in connection with this transaction or with any unrelated transaction.

(b) This Amended and Restated Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Noteholder or any other person or entity upon the insolvency, bankruptcy or reorganization of the Issuer or the Guarantor or otherwise, all as though such payment had not been made.

SECTION 4. Independent Obligation

The obligations of the Guarantor hereunder are independent of the Issuer's obligations under the Notes and the Indenture. The Trustee, on behalf of the Noteholders, may neglect or forbear to enforce payment under the Indenture and the Notes, without in any way affecting or impairing the liability of the Guarantor hereunder. The Trustee shall not be obligated to exhaust recourse or remedies against the Issuer to recover payments required to be made under the Indenture nor take any other action against the Issuer before being entitled to payment from the Guarantor of all amounts contemplated in Section 2 hereof owed hereunder or proceed against or have resort to any balance of any deposit account or credit on the books of the Trustee in favor of the Issuer or in favor of the Guarantor. Without limiting the generality of the foregoing, the Trustee shall have the right to bring a suit directly against the Guarantor, either prior or subsequent to or concurrently with any lawsuit against, or without bringing suit against, the Issuer.

SECTION 5. Waivers and Acknowledgments

(a) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Amended and Restated Guaranty and any requirement that the Trustee, on behalf of the Noteholders, protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person.

(b) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Amended and Restated Guaranty and acknowledges that this Amended and Restated Guaranty is continuing in nature and applies to the Guaranteed Obligations, whether the same are existing now or in the future.

(c) The Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Noteholder or the Trustee on behalf of the Noteholders that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Guarantor or other rights of the Guarantor to proceed against the Issuer or any other person or entity and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Guaranteed Obligations of the Guarantor hereunder.

(d) The Guarantor hereby unconditionally and irrevocably waives any duty on the part of the Trustee or any Noteholder to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer now or hereafter known by the Trustee or any Noteholder, as applicable.

(e) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Transaction Documents and that the waivers set forth in this Section 5 are knowingly made in contemplation of such benefits.

(f) The recitals contained in this Amended and Restated Guaranty shall be taken as the statements of the Issuer and the Guarantor, as applicable, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Amended and Restated Guaranty, of any offering materials, the Indenture or of the Notes.

(g) The Guarantor unconditionally and irrevocably waives, to the fullest extent permitted under Brazilian law, any benefit it may be entitled to under Articles 827, 834, 835, 838 and 839 of the Brazilian Civil Code, and under Article 595, caput, of the Brazilian Civil Procedure Code.

SECTION 6. Claims Against the Issuer

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Issuer or any other guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under or in respect of this Amended and Restated Guaranty or any other Transaction Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, or to participate in any claim or remedy of the Trustee, on behalf of the Noteholders, against the Issuer or any other person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or any other person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty and (b) the date on which all of the obligations of the Issuer under the Indenture and the Notes have been discharged in full (the later of such dates being the "Termination Date"), such amount shall be paid over to and received and held by the Trustee in trust for the benefit of the Noteholders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Trustee in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, whether matured or unmatured, in accordance with the terms of the Indenture. If (i) the Guarantor shall make payment to any Noteholder or the Trustee, on behalf of the Noteholders, of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash and (iii) the Termination Date shall have occurred, then the Trustee, on behalf of the Noteholders, will, at the Guarantor's written request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by the Guarantor pursuant to this Amended and Restated Guaranty.

SECTION 7. Representations and Warranties

The Guarantor made the following representations and warranties to the Trustee on behalf of the Noteholders as of the date of the Standby Purchase Agreement, all of which shall survive the execution and delivery of this Amended and Restated Guaranty:

(a) The Issuer and the Standby Purchaser (collectively, the “Companies”) and the transactions contemplated in the Underwriting Agreement dated as of December 3, 2003 among the Standby Purchaser, the Issuer and the Underwriters (the “Underwriting Agreement”) in connection with the offer and sale of the Notes meet the requirements set forth in Form F-3 under the Securities Act for use of the Registration Statement in connection with the offering of the Notes that are the subject of the Standby Purchase Agreement.

(b) The Companies have filed the Registration Statement with the SEC, the Registration Statement has been declared effective under the Securities Act, no stop order suspending the effectiveness of the Registration Statement (including the Base Prospectus) is in effect and no proceedings for such purposes are pending or, to the best of the Companies’ knowledge, threatened by the SEC.

(c) The Companies have filed with the SEC pursuant to Rule 424(b) under the Securities Act a proposed form of supplement to the Base Prospectus (the “Preliminary Prospectus Supplement”) within the time frame required thereunder. The Base Prospectus as supplemented by the Preliminary Prospectus Supplement, together with any documents incorporated by reference therein, is herein referred to as the “Preliminary Offering Document”.

(d) The Companies confirm their intention to file with the SEC pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Base Prospectus (the “Final Prospectus Supplement”) dated December 3, 2003 relating to the Notes and the distribution thereof. The Base Prospectus as supplemented by the Final Prospectus Supplement in the form in which it shall be filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Final Offering Document”.

(e) Each of the Companies has filed all the documents required to be filed by it with the SEC pursuant to the Exchange Act, including but not limited to the annual reports on Form 20-F for the year ended December 31, 2002 and Forms 6-K in connection with their respective financial statements for the three months ended March 31, 2003, the six months ended June 30, 2003 and the nine months ended September 30, 2003. Each document filed or to be filed by the Companies under the Exchange Act complied and will comply when so filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC and the documents incorporated or deemed to be incorporated by reference in the Registration Statement, the Preliminary Offering Document and the Final Offering Document, at the time they were or hereafter are filed with the SEC, complied and will comply in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder.

(f) The Original Indenture, the December 2003 Third Supplemental Indenture and the Standby Purchase Agreement have been qualified under the TIA, and all filings and other actions required under the TIA to permit the use of the Third Supplemental Indenture, the issuance of the Notes thereunder and the execution by the Standby Purchaser and the Trustee of the Standby Purchase Agreement have been made and taken prior to the date of the Standby Purchase Agreement.

(g) Prior to the termination of the offering of the Notes, neither the Standby Purchaser nor the Issuer has filed any amendment to the Registration Statement or supplement to the Final Offering Document which shall not have previously been furnished to the Underwriters or of which the Underwriters shall not previously have been advised or to which the Underwriters shall have reasonably objected in writing.

(h) Each of the Registration Statement, as amended, as of the time it became effective under the Securities Act, and the Final Offering Document as amended or supplemented as of the date of the Standby Purchase Agreement, contained and contains all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. Neither (i) the Registration Statement, as amended, as of the time it became effective under the Securities Act nor (ii) the Final Offering Document as amended or supplemented as of the date of the Standby Purchase Agreement contains or will contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Standby Purchaser does not make any representation or warranty as to the information contained in or omitted from the Registration Statement or the Final Offering Document in reliance upon and in conformity with information furnished in writing to the Standby Purchaser and the Issuer by the Underwriters, specifically for inclusion therein, which shall consist solely of the first and sixth paragraphs under the captions "Plan of Distribution" in the Final Prospectus Supplement.

(i) Neither the Issuer nor the Standby Purchaser is an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder. After giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Registration Statement and the Final Offering Document neither the Issuer nor the Standby Purchaser will be an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

(j) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has paid or agreed to pay to any person any compensation for soliciting another to purchase (i) the Notes or (ii) any other securities of the Standby Purchaser or the Issuer within the last 90 days, except in the case of either (i) or (ii) as contemplated by the Underwriting Agreement and the Underwriting Agreement, dated as of September 11, 2003 between the Companies and Bear Stearns & Co. Inc..

(k) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has, directly or indirectly, taken any action designed to cause or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Standby Purchaser or the Issuer to facilitate the initial sale or resale of the Notes under the Exchange Act, or otherwise.

(l) The Standby Purchaser has been duly organized and is validly existing as a sociedade de economia mista (mixed-capital company) in good standing (to the extent that good standing is applicable under applicable Law) under the Laws of Brazil. Each of the Standby Purchaser’s Significant Subsidiaries (as defined in Rule 12b-2 under the Exchange Act) has been duly incorporated and is validly existing as a corporation in good standing (to the extent relevant) under the Laws of the jurisdiction in which it is chartered or organized. Each of the Standby Purchaser and its Significant Subsidiaries is licensed (if and to the extent necessary) and has the full corporate power and authority to own or lease, as the case may be, and to operate its properties and to conduct its business as described in the Registration Statement and the Final Offering Document and to enter into and perform its obligations under the Standby Purchase Agreement and the other Original Transaction Documents to which it is a party, and is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction which requires such qualification, except, in the case of its Significant Subsidiaries other than the Issuer, where the failure to be so qualified will not have a Material Adverse Effect. The Standby Purchaser owns, directly or indirectly, all of the outstanding equity interests of the Issuer and its other Significant Subsidiaries.

(m) All the outstanding shares of capital stock, if any, of each Subsidiary of the Standby Purchaser have been duly and validly authorized and issued and are fully paid and non-assessable except, in the case of the Subsidiaries (other than the Issuer), as would not have a Material Adverse Effect, and all outstanding shares of capital stock of the Subsidiaries are owned by the Companies, as the case may be, either directly or through wholly owned Subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(n) The Standby Purchaser's capitalization is as set forth in the Final Offering Document.

(o) There have been no material changes with respect to the matters disclosed in "Item 11. Qualitative and Quantitative Disclosure About Market Risk" in the Form 20-F of the Standby Purchaser for the year ended December 31, 2002, except as otherwise specified in the Final Offering Document.

(p) The Standby Purchase Agreement has been duly authorized, executed and delivered by the Standby Purchaser; each of the Standby Purchase Agreement, the December 2003 Third Supplemental Indenture and each other document executed and delivered in connection therewith to which the Standby Purchaser is party has been duly authorized and, assuming due authorization, execution and delivery thereof by each other party to those Original Transaction Documents (other than the Standby Purchaser), when executed and delivered by the Standby Purchaser, will constitute a legal, valid and binding agreement of the Standby Purchaser, enforceable against the Standby Purchaser in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the descriptions of the Original Transaction Documents in the Final Offering Document fairly summarize the rights and obligations of the parties thereto.

(q) The Notes have been duly authorized, and, when issued under the Third Supplemental Indenture, authenticated by the Trustee and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will have been duly executed, issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity and will be entitled to the benefits provided by the Third Supplemental Indenture as described in the Registration Statement and the Final Offering Document.

(r) The Notes will constitute the general unsecured and unsubordinated obligations of the Issuer and will rank pari passu in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Issuer that are not, by their terms, expressly subordinated in right of payment to the Notes, except for statutory liens and preferences. The obligations of the Standby Purchaser under the Standby Purchase Agreement will constitute the general unsecured and unsubordinated obligations of the Standby Purchaser and will rank pari passu in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Standby Purchaser that are not, by their terms, expressly subordinated in right of payment to the rights of the Trustee, except for statutory liens and preferences.

(s) No consent, approval, authorization, filing with or order of any Governmental Authority is required for (i) the valid authorization, issuance, sale and delivery of the Notes or (ii) the execution, delivery or performance by the Issuer and the Standby Purchaser of any of their respective obligations under any of the Original Transaction Documents in the manner contemplated in the Registration Statement and the Final Offering Document, including, without limitation, making any of the applicable payments required to be made after the date of the Standby Purchase Agreement under or in respect of any of the Original Transaction Documents, except for (i) the filing of the Final Prospectus Supplement pursuant to Rule 424(b) under the Securities Act, which has been effected prior to the date of the Standby Purchase Agreement, (ii) such consents as may be required under state or foreign securities or blue sky laws and (iii) such filings or consents as may be required by the by-laws and rules of the National Association of Securities Dealers, Inc. or NASD Regulation, Inc. in connection with the use of the Base Prospectus for issuances of securities by the Standby Purchaser and the Issuer and the purchase and distribution of the Notes by the Underwriters and the confirmation by the National Association of Securities Dealers, Inc. that it has no objection with respect to the fairness and reasonableness of the underwriting terms and arrangements, each of which has, to the best of the Companies' knowledge been obtained and is in full force and effect.

(t) Neither of the Issuer or the Standby Purchaser is currently in violation of its charter, by-laws or comparable organizational documents; neither the issuance and sale of the Notes, the execution and delivery of any of the Original Transaction Documents or the consummation of any of the transactions described or contemplated therein, or the fulfillment of the terms thereof will conflict with, or give rise to any right to accelerate the maturity or require the prepayment, repurchase or redemption of any indebtedness under, or result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Companies or any of their Material Subsidiaries pursuant to, (i) the charter, by-laws or comparable organizational documents of either of the Issuer or the Standby Purchaser or any of their Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Issuer or the Standby Purchaser or any of their Subsidiaries is a party or is bound or to which any of their property or assets is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Issuer or the Standby Purchaser or any of their Subsidiaries, except in the case of clauses (ii) or (iii) such as could not reasonably be expected to have a Material Adverse Effect.

(u) The consolidated historical financial statements of the Issuer and the Standby Purchaser and their consolidated Subsidiaries included in the Preliminary Offering Document and the Final Offering Document, together with the related notes, have been prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods involved (except as otherwise noted therein) and present fairly in all material respects the financial condition, results of operations and cash flows of the Issuer and the Standby Purchaser as of the dates and for the periods indicated; the summary financial information set forth under the captions “Summary Financial Information for PIFCo,” and “Summary Financial Information for Petrobras” in the Preliminary Offering Document and the Final Offering Document fairly present, on the basis stated in the Preliminary Offering Document and the Final Offering Document, the information included therein. The financial information relating to Petrobras Energia Participaciones S.A.-PEPSA (formerly known as Perez Companc S.A.) and its consolidated Subsidiaries set forth in the Preliminary Offering Document and the Final Offering Document fairly present, on the basis stated in the Preliminary Offering Document and the Final Offering Document, the information included therein. Except as disclosed in the Preliminary Offering Document and the Final Offering Document, there has been no material adverse change in the operations, business, property or assets of or in the financial condition of either of the Issuer or the Standby Purchaser and their consolidated Subsidiaries, taken as a whole, since December 31, 2002. The segment data and other financial and statistical information incorporated by reference in the Registration Statement and the Final Offering Document present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are incorporated by reference in the Registration Statement and the Final Offering Document and the books and records of the respective entities presented therein.

(v) There are no pro forma or consolidated financial statements or other financial statements or data which are required to be included or incorporated by reference in the Registration Statement and the Final Offering Document in accordance with Regulation S-X under the Securities Act which have not been included as so required.

(w) The statistical, industry-related and market-related data included in the Preliminary Offering Document and the Final Offering Document are based on or derived from sources which the Standby Purchaser and the Issuer reasonably and in good faith believe are reliable and accurate, and such data agree with the sources from which they are derived.

(x) Except as set forth or contemplated in the Preliminary Offering Document and the Final Offering Document, neither of the Issuer or the Standby Purchaser has entered into any transaction or agreement (whether or not in the ordinary course of business) material to either of the Issuer or the Standby Purchaser individually or the Issuer and the Standby Purchaser taken as a whole with their consolidated Subsidiaries.

(y) No action, suit or proceeding by or before any Governmental Authority involving the Issuer or the Standby Purchaser or any of their Subsidiaries or their property or assets is pending or, to the best knowledge of the Standby Purchaser, threatened, involving or in any way relating to (i) the Standby Purchase Agreement, any of the other Original Transaction Documents or the transactions contemplated therein or (ii) any other matter that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Preliminary Offering Document and the Final Offering Document. Neither the Issuer, the Standby Purchaser or any of their Subsidiaries is in violation of or in default with respect to any applicable statute (including, without limitation, any applicable provision of the Sarbanes-Oxley Act, including any rules and regulations thereunder or related thereto), rule, writ, injunction, decree, order or regulation of any Governmental Authority having jurisdiction over such Person which is reasonably likely to have a Material Adverse Effect.

(z) Each of the Issuer and the Standby Purchaser and each of their respective Subsidiaries has good and marketable title to all of their properties and assets and owns or leases all such properties and assets as are both described in the Preliminary Offering Document and the Final Offering Document and necessary to the conduct of its operations as presently conducted free and clear of any liens, charges, security interests or other encumbrances except such as (i) do not materially interfere with the intended use thereof and (ii) could not reasonably be expected to have a Material Adverse Effect. All leases and subleases material to the business of each of the Companies under which either of the Issuer and the Standby Purchaser holds properties, as described in the Preliminary Offering Document and the Final Offering Document, are in full force and effect; and neither the Standby Purchaser nor the Issuer has had any notice that any material claim of any sort has been asserted by anyone adverse to the Standby Purchaser's or the Issuer's rights under any leases or subleases mentioned above, or affecting or questioning the rights thereof to the continued possession of the leased or subleased premises under any such lease or sublease, except as would not result in a Material Adverse Effect.

(aa) Each of PricewaterhouseCoopers Auditores Independentes and Ernst & Young Auditores Independentes (who have certified the financial statements of the Issuer and the Standby Purchaser and supporting schedules and information of Standby Purchaser and the Issuer and their consolidated Subsidiaries and delivered their report with respect to the audited and unaudited consolidated financial statements and other financial information included in the Preliminary Offering Document and the Final Offering Document relating to the Issuer and the Standby Purchaser and their consolidated Subsidiaries) and Pistrelli, Henry Martin y Asociados S.R.L., a member firm of Ernst & Young (who have delivered their report with respect to financial information included in the Preliminary Offering Document and the Final Offering Document relating to Petrobras Energia Participaciones S.A.-PEPSA and its consolidated Subsidiaries) are independent public accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the applicable requirements of the Regulation S-X under the Securities Act and the Exchange Act and, in the case of PricewaterhouseCoopers Auditores Independentes, and Ernst & Young Auditores Independentes are certified public accountants with respect to the Standby Purchaser and the Issuer under the standards established by the local authorities in the Cayman Islands and Brazil, and, in the case of Pistrelli, Henry Martin y Asociados S.R.L., are certified public accountants with respect to Petrobras Energia Participaciones S.A.-PEPSA under the standards established by the local authorities in the Republic of Argentina.

(bb) Each of the Issuer and the Standby Purchaser and their respective Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the Issuer and the Standby Purchaser are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against such person or any of its respective properties and all other taxes, assessments, fees or other charges imposed on such person or any of its respective properties by, any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles have been provided on the books of such person); and no material tax liens or material liens with respect to any assessments, fees or other charges have been filed and, to the knowledge of such person, no material claims are being asserted with respect to any such taxes, assessments, fees or other charges.

(cc) The Issuer and the Standby Purchaser and each of their respective Subsidiaries are insured by insurers that the Issuer and the Standby Purchaser reasonably believe to be financially sound against such losses and risks and in such amounts as are prudent and customary in the businesses and in the geographical regions in which they are engaged except when the failure to do so would not have a Material Adverse Effect; and neither of the Issuer or the Standby Purchaser nor any Subsidiary thereof has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(dd) No Subsidiary of the Issuer or the Standby Purchaser is currently prohibited, directly or indirectly, from paying any dividends to either of the Issuer or the Standby Purchaser, from making any other distribution on such Subsidiary's capital stock, from repaying to the Issuer or the Standby Purchaser any loans or advances to such Subsidiary from the Issuer or the Standby Purchaser or from transferring any of such Subsidiary's property or assets to the Issuer or the Standby Purchaser or any other Subsidiary of the Issuer or the Standby Purchaser.

(ee) The Issuer and the Standby Purchaser and their Subsidiaries possess all material licenses, certificates, permits and other authorizations issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could have a Material Adverse Effect.

(ff) To ensure the legality, validity, enforceability or admissibility into evidence of any of the Original Transaction Documents, it is not necessary that any such other document be filed or recorded with any court or other authority in Brazil or the Cayman Islands (other than such authorizations or filings that have already been obtained or made, as applicable), or that any stamp or similar tax be paid in either Brazil or the Cayman Islands on or in respect of any such document, except as provided in the Preliminary Offering Document and the Final Offering Document. It is not necessary under the laws of Brazil or the Cayman Islands that any of the holders of the Notes, be licensed, qualified or entitled to carry on business in either Brazil or the Cayman Islands by reason of the execution, delivery, performance or enforcement of any of the Original Transaction Documents.

(gg) The Issuer and the Standby Purchaser and each of their respective Subsidiaries each maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(hh) The Issuer and the Standby Purchaser and their respective Subsidiaries (i) are in compliance with any and all applicable Environmental Laws, (ii) have received and are in compliance with all permits, licenses or other approvals required of them under the applicable Environmental Laws to conduct their respective businesses and (iii) except as described in the Preliminary Offering Document and the Final Offering Document, have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of clauses (i), (ii) and (iii) above where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in the Preliminary Offering Document and the Final Offering Document, neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has been named as a "potentially responsible party" under the United States Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, nor has the Issuer or any such Subsidiary been identified as the party responsible or potentially responsible for any breach or violation of any other similar Environmental Law.

(ii) In the ordinary course of its business, the Issuer and the Standby Purchaser periodically review the effect of Environmental Laws on the business, operations and properties of the Issuer and the Standby Purchaser and their Subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Issuer and the Standby Purchaser have reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect.

(jj) The information set forth in the Preliminary Offering Document and the Final Offering Document relating to oil and gas reserves, oil and gas wells and any other oil and gas related information required to be disclosed in such Preliminary Offering Document and the Final Offering Document has been prepared by the Issuer and the Standby Purchaser in all material respects on the basis disclosed in the Preliminary Offering Document and the Final Offering Document and conforms in all material respects to the requirements of the Securities Act and the Exchange Act, as the case may be.

(kk) The indemnification and contribution provisions set forth in Section 14 of the Standby Purchase Agreement do not contravene Brazilian or Cayman Islands law or public policy.

(ll) The Issuer and the Standby Purchaser are subject to civil and commercial law in respect of their obligations under the Standby Purchase Agreement and the Issuer and the Standby Purchaser are not, nor are any of their properties, assets or revenues subject to any right of immunity under Cayman Islands, Brazilian or New York law, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any Cayman Islands, Brazilian, New York or United States federal court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court with respect to its obligations, liabilities or any other matter under or arising out of or in connection therewith; and, to the extent that the Issuer and the Standby Purchaser or any of their properties, assets or revenues may have or may thereafter become entitled to any such right of immunity in any such court in which proceedings arising out of, or relating to the transactions contemplated thereby, may at any time be commenced, the Companies have waived or will waive such right to the extent permitted by law and have consented to such relief and enforcement as provided therein.

(mm) The submission of the Issuer and the Standby Purchaser to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York, County of New York, and the United States District Court for the Southern District of New York (each, a "New York court") in Section 18 of the Standby Purchase Agreement, in the case of the Standby Purchaser, and, as applicable, under each of the Original Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; the appointment of the Standby Purchaser's New York Branch located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent for the purpose described in Section 18 of the Standby Purchase Agreement and under each of the other Original Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; and the choice of law provision set forth in Section 18 of the Standby Purchase Agreement and in each Original Transaction Document is legal, valid and binding under the laws of Brazil and the Cayman Islands. Any final judgment of a New York court in respect of any amount payable by the Issuer and the Standby Purchaser under any Original Transaction Document and which conforms with Brazilian or Cayman Island, as applicable, law, rule, regulation or public policy and with the provisions for enforcement of foreign judgments set forth in the Final Memorandum be enforceable in the courts of Brazil and the Cayman Islands without reexamination of the merits.

(nn) Any final judgment for a fixed or readily calculable sum of money rendered by any court of the State of New York or of the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Issuer and the Standby Purchaser based upon the Standby Purchase Agreement would be declared enforceable against the Issuer and the Standby Purchaser by the courts of the Cayman Islands or Brazil, as applicable, without re-examination, review of the merits of the cause of action in respect of which the original judgment was given or relitigation of the matters adjudicated upon or payment of any stamp, registration or similar tax or duty, as provided in the provisions for enforcement of foreign judgments set forth in the Final Offering Document.

(oo) No part of the proceeds of the sale of the Notes will be used for any purpose that violates the provisions of any of Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(pp) Both presently and immediately after giving effect to the transactions contemplated by the Standby Purchase Agreement and in the Final Offering Document, each of the Issuer and the Standby Purchaser (i) is and will be able to pay its debts as they become due and (ii) is not insolvent as defined under applicable Brazilian bankruptcy, insolvency or similar law or Cayman Islands bankruptcy, insolvency or similar law.

(qq) None of the Noteholders, the Underwriters or the Trustee will be deemed resident, domiciled, carrying on business or subject to taxation in Brazil or the Cayman Islands solely by the execution, delivery, performance or enforcement of any of the Original Transaction Documents or by virtue of the ownership or transfer of a Note or Exchange Note or the receipt of payment thereon assuming that none of such persons is a resident of Brazil or the Cayman Islands or has a permanent establishment or a fixed base in Brazil or the Cayman Islands.

(rr) No Default or Event of Default (as defined in the Third Supplemental Indenture) has occurred and is continuing.

(ss) There are no Cayman Islands taxes on or by virtue of the execution or delivery of the Standby Purchase Agreement, the Third Supplemental Indenture, the Notes or any of the other Original Transaction Documents or any other document to be furnished thereunder. Payments to be made by the Issuer and the Standby Purchaser or any other party to any of the Original Transaction Documents pursuant to the Original Transaction Documents will not be subject to Cayman Islands taxes. There are no stamp or other issuance or transfer taxes or duties or other similar fees or charges required to be paid in connection with the execution and delivery of any of the Original Transaction Documents or the consummation of any of the other transactions described therein or the issuance and sale by the Issuer of the Notes.

(tt) There is no tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of the Standby Purchase Agreement or any of the other Original Transaction Documents or (ii) on any payment to be made by the Standby Purchaser to the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the holders (that are non-residents of Brazil) of the Notes pursuant to the Standby Purchase Agreement, except with respect to any payment of interest, fees or other income made to a party thereto outside of Brazil from funds of the Standby Purchaser in Brazil each of which currently would be subject to a withholding tax which, as of the date thereof, is levied at the rate of 15%, 25% if the beneficiary is domiciled in a tax haven jurisdiction or such other lower rate, as it may be contemplated in a bilateral treaty aimed at avoiding double taxation between Brazil and such other country where the recipient of the payment has its domicile. The Standby Purchaser is permitted to make all payments pursuant to the Standby Purchase Agreement free and clear of all taxes, levies, imposts, deductions, charges or withholdings imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein, and no such payment in the hands of the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the Holders (that are non-residents of Brazil) of the Notes will be subject to any tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority therein or thereof, in each case except as provided in the immediately preceding sentence. The Standby Purchaser intends to make all payments pursuant to the Standby Purchase Agreement from funds offshore Brazil. The Standby Purchaser does not believe or reasonably expect that any interest paid or purchases of Purchase Obligations (as defined in the Standby Purchase Agreement) made by the Standby Purchaser pursuant to the terms thereof will constitute interest paid by a trade or business in the United States within the meaning of Section 884 (f) (1) (A) of the Internal Revenue Code of 1986, as amended. To ensure the legality, validity, enforceability or admissibility in evidence of the Standby Purchase Agreement in Brazil, it is not necessary that the Standby Purchase Agreement or any other document be filed or recorded with any court or other authority in Brazil, other than the notarization of the signatures of the parties signing outside Brazil, the subsequent consularization (authentication) of the signature of such a notary by a Brazilian consulate official and the subsequent translation of the Standby Purchase Agreement into Portuguese by a sworn translator, or that any stamp or similar tax be paid on or in respect of the Standby Purchase Agreement or any of the other Original Transaction Documents.

(uu) After being notarized, consularized and translated into Portuguese by a sworn translator, the Standby Purchase Agreement will be in proper legal form under the laws of Brazil for the enforcement thereof in Brazil.

(vv) To the extent the Standby Purchaser or its respective property has or may in the future have any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, set-off or counterclaim, the jurisdiction of any competent court, service of process, attachment or execution, in any jurisdiction, with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with the Standby Purchase Agreement and any other Original Transaction Documents, the Standby Purchaser has effectively waived such rights as provided in Section 18 of the Standby Purchase Agreement; provided that no assets of the Standby Purchaser which are specifically used in the furtherance of the activities listed in Article 177 of the Brazilian Constitution, in respect of which the Brazilian government has a monopoly, could be used by any person in Brazil acquiring such assets as a result of the execution thereof in violation of the provisions contained in such Article 177 of the Brazilian Constitution. The execution and delivery of the Standby Purchase Agreement by the Standby Purchaser and the performance of its obligations thereunder by the Standby Purchaser constitute private and commercial acts rather than governmental or public acts.

(ww) Except as described in the Final Offering Document and except as to matters, individually or in the aggregate, which could not reasonably be expected to have a Material Adverse Effect:

(i) The Standby Purchaser and its Material Subsidiaries have obtained all environmental permits with respect to the business in which they are engaged and with respect to the facilities and properties owned, leased or operated by the Standby Purchaser or any of its Material Subsidiaries, and the business and all operations at the properties of the Standby Purchaser are in compliance with all environmental permits and are otherwise in compliance with all environmental laws;

(ii) No officer of the Standby Purchaser or of any of its Material Subsidiaries has received any notice of any claim with respect to any of the properties, the business or otherwise, nor does the Standby Purchaser have knowledge or reason to believe that any such claim will be received or is threatened; and

(iii) There are no past or present actions, activities, events, conditions or circumstances, including the release, threatened, release, emission, discharge, generation, treatment, storage or disposal of any hazardous materials at any locations, that would reasonably be expected to give rise to liability of the Standby Purchaser or any of its Material Subsidiaries under any law or any contract or agreement.

(xx) The Standby Purchaser has, independently and without reliance upon any Noteholder and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Standby Purchase Agreement and each other Original Transaction Document to which it is or is to be a party, and the Standby Purchaser has established adequate means of obtaining from the Issuer on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of the Issuer.

SECTION 8. Covenants

For so long as the Notes remain outstanding or any amount remains unpaid on the Notes and the Indenture, the Guarantor will, and will cause each of its Subsidiaries to, comply with the terms and covenants set forth below (except as otherwise provided in a duly authorized amendment to this Amended and Restated Guaranty as provided herein):

(a) Performance of Obligations. The Guarantor shall pay all amounts owed by it and comply with all its other obligations under the terms of this Amended and Restated Guaranty and the Indenture in accordance with the terms thereof.

(b) Maintenance of Corporate Existence. The Guarantor will, and will cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor except as otherwise permitted by Section 8(m) and (ii) take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided, however,* that this Section 8(b) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any such right, privilege, title to property or franchise or require the Guarantor to preserve the corporate existence of any Subsidiary, if, in each case, the failure to do so does not, and will not, have a Material Adverse Effect.

(c) Maintenance of Properties. The Guarantor will, and will cause each of its Subsidiaries to, maintain and keep in good condition, repair and working order (normal wear and tear excepted) all properties used or useful in the conduct of its or its Subsidiaries businesses, and will, and will cause each of its Subsidiaries to, make all necessary repairs, renewals, replacements and improvements thereof, all as in the judgment of the Guarantor shall be necessary properly to conduct at all times the business carried on in connection therewith; provided, that this Section 8(c) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any of such properties if the failure to maintain such properties does not, and will not, have a Material Adverse Effect.

(d) Compliance with Laws and Agreements. The Guarantor will comply, and will cause its Subsidiaries to comply, at all times in all material respects with all applicable Laws (including, without limitation, Environmental Laws), rules, regulations, orders and directives of any Governmental Authority having jurisdiction over the Guarantor and each Subsidiary thereof or their businesses or any of the transactions contemplated herein. The Guarantor will also comply, and will cause its Subsidiaries to comply, with all covenants and other obligations contained in any agreements to which they are a party, except where the failure so to comply would not have a Material Adverse Effect.

(e) Maintenance of Governmental Approvals. The Guarantor will, and will cause its Subsidiaries to, duly obtain and maintain in full force and effect all approvals of Governmental Authorities and third parties, consents or licenses which are necessary under the laws of Brazil, the Cayman Islands or any other jurisdiction having jurisdiction over the Guarantor and each Subsidiary thereof in connection with the execution, delivery and performance of this Amended and Restated Guaranty and each other Transaction Document by the Guarantor or the validity or enforceability of any thereof.

(f) Payments of Taxes and Other Claims. The Guarantor will, and will cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Guarantor or such Subsidiary, as the case may be, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Guarantor or such Subsidiary, as the case may be; provided, however, that this Section 8(f) shall not require the Guarantor to, or to cause any Subsidiary thereof to, pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings or where the failure to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim would not have a Material Adverse Effect.

(g) Maintenance of Ownership of the Issuer. For so long as any Notes are outstanding, the Guarantor will retain no less than 51% direct or indirect ownership of the outstanding voting and economic interests (equity or otherwise) of and in the Issuer.

(h) Maintenance of Insurance. The Guarantor will, and will cause each of its Subsidiaries to, maintain insurance with insurance companies that the Guarantor reasonably believes to be financially sound in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning or operating properties or facilities similar to those owned and operated by the Guarantor or its Subsidiaries, as the case may be, in the same general areas in which the Guarantor and its Subsidiaries own or operate their properties or facilities, except where the failure to do so would not have a Material Adverse Effect.

(i) Maintenance of Books and Records. The Guarantor shall, and shall cause each of its Material Subsidiaries to, maintain books, accounts and records in accordance with Reporting GAAP, in the case of the Guarantor and the Issuer, and, in the case of each other Subsidiary of the Guarantor, generally accepted accounting principles in the jurisdiction where each such Subsidiary is organized.

(j) Maintenance of Office or Agency. So long as any of the Notes are outstanding, the Guarantor will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon the Guarantor in respect of this Amended and Restated Guaranty may be served, and the Guarantor will not change the designation of such office without prior written notice to the Trustee and designation of a replacement office in the same general location.

(k) Ranking. The Guarantor will ensure at all times that its obligations under this Amended and Restated Guaranty will constitute the general senior unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu*, without any preferences among themselves, with all other present and future senior unsecured and unsubordinated obligations of the Guarantor (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of the Guarantor under this Amended and Restated Guaranty.

(l) Notice of Defaults. The Guarantor will give written notice to the Trustee, as soon as is practicable and in any event within ten calendar days after the Guarantor becomes aware, or should reasonably become aware, of the occurrence of any Default or any Event of Default, accompanied by a certificate of an officer of the Guarantor setting forth the details thereof and stating what action the Guarantor proposes to take with respect thereto.

(m) Limitation on Consolidation, Merger, Sale or Conveyance. (i) The Guarantor will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect Subsidiary of the Guarantor) or permit any person or entity (other than a direct or indirect Subsidiary of the Guarantor) to merge with or into it, unless:

(A) either the Guarantor is the continuing entity or the person (the “Successor Company”) formed by such consolidation or into which the Guarantor is merged or that acquired or leased such property or assets of the Guarantor will be a corporation organized and validly existing under the laws of Brazil and shall assume (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to this Amended and Restated Guaranty (the form and substance of which shall be previously approved by the Trustee), all of the Guarantor’s obligations under this Amended and Restated Guaranty;

(B) the Successor Company (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each Noteholder against any tax, assessment or governmental charge thereafter imposed on such Noteholder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes pursuant to this Amended and Restated Guaranty;

(C) immediately after giving effect to such transaction, no Event of Default, and no Default has occurred and is continuing;

(D) the Guarantor has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such merger consolidation, sale, transfer or other conveyance or disposition and the amendment to this Amended and Restated Guaranty comply with the terms of this Amended and Restated Guaranty and that all conditions precedent provided for herein and relating to such transaction have been complied with; and

(E) the Guarantor has delivered notice of any such transaction to Moody’s (which notice shall contain a description of such merger, consolidation or conveyance).

(ii) Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and the Guarantor has delivered notice of any such transaction to Moody’s and the Trustee (which notice shall contain a description of such merger, consolidation or conveyance):

(A) the Guarantor may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect Subsidiary of the Guarantor in cases when the Guarantor is the surviving entity in such transaction and such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole, it being understood that if the Guarantor is not the surviving entity, the Guarantor shall be required to comply with the requirements set forth in the previous paragraph; or

(B) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than the Guarantor or any of its Subsidiaries or Affiliates) in cases when such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole; or

(C) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any direct or indirect Subsidiary of the Guarantor; or

(D) any direct or indirect Subsidiary of the Guarantor may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor, and would not result in a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of the Guarantor.

(n) Negative Pledge. So long as any Note remains outstanding, the Guarantor will not create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness or (ii) the Indebtedness of any other person, unless the Guarantor contemporaneously creates or permits such Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture. In addition, the Guarantor will not allow any of the Guarantor's Subsidiaries to create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness, (ii) any of the Indebtedness of the Guarantor's Material Subsidiaries or (iii) the Indebtedness of any other person, unless it contemporaneously creates or permits the Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor or such Subsidiary provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture.

(o) Transactions with Affiliates. The Guarantor shall not, and shall not permit any of its Subsidiaries to, enter into or carry out (or agree to enter into or carry out) any transaction or arrangement with any Affiliate, except for any transaction or arrangement entered into or carried out on terms no less favorable to the Guarantor or such Subsidiary than those which could have been obtained on an arm's-length basis with a person that is not an Affiliate, provided, however, that the foregoing shall not apply to transactions (i), between the Guarantor and the Issuer or any Subsidiary of the Issuer or (ii) except as otherwise permitted pursuant to clause (i), between or among the Guarantor, the Issuer and any of their respective Subsidiaries not involving any other person so long as consummation of any such transaction described in this clause (ii) will not have a Material Adverse Effect.

(p) Provision of Financial Statements and Reports. (i) The Guarantor will provide to the Trustee, in English or accompanied by a certified English translation thereof, (A) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP, (B) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP and (C) such other financial data as the Trustee may reasonably request.

(ii) The Guarantor will provide, together with each of the financial statements delivered pursuant to Sections 8(p)(i)(A) and (B), an Officer's Certificate stating that a review of the activities of the Guarantor and the Issuer has been made during the period covered by such financial statements with a view to determining whether the Guarantor and the Issuer have kept, observed, performed and fulfilled their covenants and agreements under this Amended and Restated Guaranty and the Indenture, as applicable, and that no Default or Event of Default has occurred during such period or, if one or more have actually occurred, specifying all such events and what actions have been taken and will be taken with respect to such Default or Event of Default.

(iii) The Guarantor shall, whether or not it is required to file reports with the SEC, file with the SEC and deliver to the Trustee (for redelivery to all Noteholders) all reports and other information as it would be required to file with the SEC under the Exchange Act if it were subject to those regulations; *provided, however*, that if the SEC does not permit the filing described in the first sentence of this Section 8(p)(iii), the Guarantor will provide annual and interim reports and other information to the Trustee within the same time periods that would be applicable if the Guarantor were required and permitted to file these reports with the SEC.

(q) Further Actions. The Guarantor will, at its own cost and expense, and will cause its Subsidiaries to, at their own cost and expense, take any action, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, in the reasonable opinion of the Trustee, in accordance with applicable Laws (as applicable) to be taken, fulfilled or done in order to (i) enable the Guarantor to lawfully enter into, exercise its rights and perform and comply with its obligations under this Amended and Restated Guaranty and each of the other Transaction Documents to which it is a party, as the case may be, (ii) ensure that the Guarantor's obligations under this Amended and Restated Guaranty and each of the other Transaction Documents are legally binding and enforceable, (iii) make this Amended and Restated Guaranty and each of the other Transaction Documents admissible in evidence in the courts of the State of New York, Brazil or the Cayman Islands, (iv) enable the Trustee to exercise and enforce its rights under and carry out the terms, obligations, provisions and purposes of this Amended and Restated Guaranty and each of the other Transaction Documents, (v) take any and all action necessary to preserve the enforceability of, and maintain the Trustee's rights under this Amended and Restated Guaranty and the other Transaction Documents, including, without limitation, refraining from taking any action that reasonably can be expected to have an adverse effect on the enforceability of, or any of the Trustee's rights under, this Guaranty and the other Transaction Documents, and (vi) assist the Trustee in the Trustee's performance of its obligations under this Guaranty and the other Transaction Documents; provided, however, that the Guarantor shall not be required to take any action contemplated herein if it promptly (and in no event later than two Business Days after any such request) provides to the Trustee a written opinion from counsel reasonably acceptable to the Trustee specifying that the failure to take such action or satisfy such condition would not have an adverse effect on the rights of the Noteholders.

SECTION 9. Amendments,Etc.

No amendment or waiver of any provision of this Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Trustee and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. For the avoidance of doubt, Article IX of the Indenture shall apply to an amendment to this Amended and Restated Guaranty to determine whether the consent of Holders is required for an amendment and if so, the required percentage of Holders of the Notes required to approve the amendment.

SECTION 10. Indemnity

(a) Without limitation on any other obligations of the Guarantor or remedies of the Trustee under this Amended and Restated Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Trustee and its officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Purchase Obligation to be the legal, valid and binding obligations of the Guarantor enforceable against it in accordance with their terms.

(b) The Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to Guarantor or any of its Affiliates or any of their respective officers, directors, employees, agents and advisors, and the Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Transaction Documents or any of the transactions contemplated by the Transaction Documents.

SECTION 11. Notices, Etc.

(a) All notices and other communications provided for hereunder shall be in writing (including telegraphic or teletype) and mailed, telecopied or delivered by hand, if to the Guarantor, addressed to it at Avenida República do Chile, 65, 20035-900 Rio de Janeiro - RJ, Brazil, Telephone: (55-21) 3224-4079, Telecopier: (55-21) 3224-6197, Attention: Sonia Tereza Terra Figueiredo Vasconcellos, Corporate Finance & Treasury/Debt Control, if to the Trustee, at The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York, 10286, USA, Telephone: (1-212) 815-5616, Telecopier: (1-212) 815-5603, Attention: Corporate Trust Department or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when telecopied, be effective when transmitted. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Amended and Restated Guaranty shall be effective as delivery of an original executed counterpart thereof.

(b) All payments made by the Guarantor to the Trustee hereunder shall be made to the Payment Account (as defined in the Indenture).

SECTION 12. Survival

Without prejudice to the survival of any of the other agreements of the Guarantor under this Amended and Restated Guaranty or any of the other Transaction Documents, the agreements and obligations of the Guarantor contained in Section 2 (with respect to the payment of all other amounts owed under the Indenture), Section 7, Section 10 and Section 15 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Amended and Restated Guaranty, the termination of this Amended and Restated Guaranty and/or the resignation or removal of the Trustee.

SECTION 13. No Waiver; Remedies.

No failure on the part of the Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 14. Continuing Agreement; Assignment of Rights Under the Indenture and the Notes.

This Amended and Restated Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the repayment in full by the Issuer of all amounts due and owing under the Indenture with respect to the Notes and (ii) the repayment in full of all Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Trustee, on behalf of Noteholders, and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Noteholder may assign or otherwise transfer its rights and obligations under the Indenture (including, without limitation, the Note or Notes held by it) to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Noteholder herein or otherwise, in each case as and to the extent provided in the Indenture. The Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of all of the Noteholders.

SECTION 15. Currency Rate Indemnity.

(a) The Guarantor shall (to the extent lawful) indemnify the Trustee and the Noteholders and keep them indemnified against:

(i) in the case of nonpayment by the Guarantor of any amount due to the Trustee, on behalf of the Noteholders, under this Amended and Restated Guaranty any loss or damage incurred by any of them arising by reason of any variation between the rates of exchange used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Guarantor; and

(ii) any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which the local currency equivalent of the amounts due or contingently due under this Amended and Restated Guaranty or in respect of the Notes is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Guarantor, and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any bankruptcy, insolvency or liquidation or any distribution of assets in connection therewith.

(b) The Guarantor agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of its obligations hereunder is expressed in a currency (the “Judgment Currency”) other than U.S. dollars (the “Denomination Currency”), it will indemnify the relevant Holder and the Trustee against any deficiency arising or resulting from any variation in rates of exchange between the date at which the amount in the Denomination Currency is notionally converted into the amount in the Judgment Currency for the purposes of such judgment or order and the date of actual payment thereof.

(c) The above indemnities shall constitute separate and independent obligations of the Guarantor from its obligations hereunder, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or the filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Guarantor for a liquidated sum or sums in respect of amounts due under this Amended and Restated Guaranty, or under the Indenture or the Notes or under any judgment or order.

SECTION 16. Governing Law; Jurisdiction; Waiver of Immunity, Etc.

(a) This Amended and Restated Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amended and Restated Guaranty or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding against the Issuer or the Guarantor, as the case may be, relating to this Amended and Restated Guaranty or any other Transaction Document in the courts of any jurisdiction.

(c) The Guarantor hereby irrevocably appoints and empowers the New York office of Petróleo Brasileiro S.A., located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent (the “Process Agent”) to accept and acknowledge for and on its behalf and on behalf of its property service of any and all legal process, summons, notices and documents which may be served in any such suit, action or proceedings in any New York State court or United States federal court sitting in the State of New York in the Borough of Manhattan and any appellate court from any thereof, which service may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. The Guarantor will take any and all action necessary to continue such designation in full force and effect and to advise the Trustee of any change of address of such Process Agent and; should such Process Agent become unavailable for this purpose for any reason, the Guarantor will promptly and irrevocably designate a new Process Agent within New York, New York, which will agree to act as such, with the powers and for the purposes specified in this subsection (c). The Guarantor irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by hand delivery, to it at its address set forth in Section 10 or to any other address of which it shall have given notice pursuant to Section 10 or to its Process Agent. Service upon the Guarantor or the Process Agent as provided for herein will, to the fullest extent permitted by law, constitute valid and effective personal service upon it and the failure of the Process Agent to give any notice of such service to the Guarantor shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

(d) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party in any New York State or federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(e) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY NOTEHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

(f) This Amended and Restated Guaranty and any other documents delivered pursuant hereto, and any actions taken hereunder, constitute commercial acts by the Guarantor. The Guarantor irrevocably and unconditionally and to the fullest extent permitted by law, waives, and agrees not to plead or claim, any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) for itself, the Issuer or any of their property, assets or revenues wherever located with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Amended and Restated Guaranty, any of the Transaction Documents or any document delivered pursuant hereto, in each case for the benefit of each assigns, it being intended that the foregoing waiver and agreement will be effective, irrevocable and not subject to withdrawal in any and all jurisdictions, and, without limiting the generality of the foregoing, agrees that the waivers set forth in this subsection (f) shall have the fullest scope permitted under the United States Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for the purposes of such act.

SECTION 17. Execution in Counterparts

This Amended and Restated Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amended and Restated Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Amended and Restated Guaranty.

SECTION 18. Entire Agreement.

This Amended and Restated Guaranty, together with the Indenture and the Notes, sets forth the entire agreement of the parties hereto with respect to the subject matter hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Amended and Restated Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Sérgio Túlio da R. Tinoco

Name: Sérgio Túlio da R. Tinoco

Title: Chief Financial Officer

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON, as Trustee and not

in its individual capacity

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

AMENDED AND RESTATED GUARANTY

Dated as of February 10, 2012

between

PETRÓLEO BRASILEIRO S.A.—PETROBRAS,

as Guarantor,

and

THE BANK OF NEW YORK MELLON, as

Trustee for the Noteholders

Referred to Herein

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The Guaranty dated as of March 31, 2010 (the “Original Guaranty”) is hereby amended and restated in its entirety as follows:

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY (this “Amended and Restated Guaranty”), dated as of February 10, 2012, between PETRÓLEO BRASILEIRO S.A.—PETROBRAS (the “Guarantor”), a *sociedade de economia mista* organized and existing under the laws of the Federative Republic of Brazil (“Brazil”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, as trustee for the holders of the Notes (as defined below) issued pursuant to the Indenture (as defined below) (the “Trustee”).

WITNESSETH:

WHEREAS, Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a wholly-owned Subsidiary of the Guarantor (the “Issuer”), has entered into an Indenture dated as of July 19, 2002 (the “Original Indenture”) with the Trustee (as successor to JPMorgan Chase Bank, a New York banking corporation), as supplemented by the amended and restated fourth supplemental indenture dated as of March 31, 2010, among the Issuer, the Guarantor and the Trustee (the “2010 Amended and Restated Fourth Supplemental Indenture”), and as further supplemented by the sixth supplemental indenture dated as of the date hereof, among the Issuer, the Guarantor and the Trustee (the “Sixth Supplemental Indenture”). The Original Indenture, as supplemented by the 2010 Amended and Restated Fourth Supplemental Indenture and the Sixth Supplemental Indenture and as amended or supplemented from time to time with respect to the Notes, is hereinafter referred to as the “Indenture”;

WHEREAS, the Issuer has duly authorized the issuance of its notes in such principal amount or amounts as may from time to time be authorized in accordance with the Indenture and has, as of September 15, 2004, issued U.S.\$600,000,000 aggregate principal amount of its 7.75% Global Notes due 2014 (the “Notes”) under the Original Indenture as supplemented by the fourth supplemental indenture, dated as of September 15, 2004, by and among the Issuer, the Guarantor and the Trustee (the “September 2004 Fourth Supplemental Indenture” and together with the Original Indenture, the “Fourth Supplemental Indenture”);

WHEREAS, the Guarantor, in its capacity as the Standby Purchaser (the “Standby Purchaser”), had entered into the Standby Purchase Agreement (the “Standby Purchase Agreement”) on September 15, 2004 in order to provide the holders of the Notes (the “Noteholders”) with assurances that, if the Issuer shall fail to make all required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Standby Purchaser would be obligated, without any action on the part of the Noteholders, to immediately purchase the rights of the Noteholders to receive such amounts in consideration of the payment by the Standby Purchaser of an amount of funds equal to the amounts then owed by the Issuer under the Indenture and the Notes, subject to the provisions thereof;

WHEREAS, the Guarantor replaced the Standby Purchase Agreement with the Original Guaranty on March 31, 2010 in order to provide the Noteholders with an irrevocable and unconditional guaranty that, if the Issuer shall fail to make any required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Guarantor will pay any such amounts whether at stated maturity, or earlier or later by acceleration or otherwise;

WHEREAS, the Guarantor wishes to amend the Original Guaranty to replace the term “U.S. GAAP” by “Reporting GAAP” in certain sections hereof;

WHEREAS, the Guarantor agrees that it has and will derive substantial direct and indirect benefits from the issuance of the Notes by the Issuer;

WHEREAS, each of the parties hereto is entering into this Amended and Restated Guaranty for the benefit of the other party and for the equal and ratable benefit of the Noteholders;

WHEREAS, Section 9 of the Original Guaranty and Section 9.01 of the Indenture provide that the Trustee and the Guarantor may enter into amendments to the Original Guaranty and the Indenture provided that such action does not adversely affect the interests of the Noteholders in any material respect.

NOW, THEREFORE, the Guarantor and the Trustee hereby agree as follows:

SECTION 1. Definitions

(a) All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented. All such definitions shall be read in a manner consistent with the terms of this Amended and Restated Guaranty.

(b) As used herein, the following capitalized terms shall have the following meanings:

“Affiliate,” with respect to any Person, means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; it being understood that for purposes of this definition, the term “*control*” (including the terms “*controlling*,” “*controlled by*” and “*under common control with*”) of a Person shall mean the possession, direct or indirect, of the power to vote 25% or more of the equity or similar voting interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Authorized Representative” of the Guarantor or any other Person means the person or persons authorized to act on behalf of such entity by its chief executive officer, president, chief operating officer, chief financial officer or any vice president or its Board of Directors or any other governing body of such entity.

“Base Prospectus” has the meaning set forth in the definition of Registration Statement herein.

“Board of Directors”, when used with respect to a corporation, means either the board of directors of such corporation or any committee of that board duly authorized to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorized by the organizational documents or by the voting equity owners of such entity to act for them .

“Companies” has the meaning specified in Section 7(a).

“Denomination Currency” has the meaning specified in Section 15(b).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Final Offering Document” has the meaning specified in Section 7(c).

“Final Prospectus Supplement” has the meaning specified in Section 7(c).

“Guaranteed Obligations” has the meaning specified in Section 2.

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

“Indemnified Party” has the meaning specified in Section 10(a).

“Judgment Currency” has the meaning specified in Section 15(b).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, assets, property, condition (financial or otherwise) or, results of operation, of the Guarantor together with its consolidated Subsidiaries, taken as a whole, (b) the validity or enforceability of this Amended and Restated Guaranty or any other Transaction Document or (c) the ability of the Guarantor to perform its obligations under this Amended and Restated Guaranty or any other Transaction Document, or (d) the material rights or benefits available to the Noteholders or the Trustee, as representative of the Noteholders under the Indenture, this Amended and Restated Guaranty or any of the other Transaction Documents.

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 7.5% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Officer’s Certificate” means a certificate of an Authorized Representative of the Guarantor.

“Opinion of Counsel” means a written opinion of counsel from any Person either expressly referred to herein or otherwise reasonably satisfactory to the Trustee which may include, without limitation, counsel for the Guarantor, whether or not such counsel is an employee of the Guarantor.

“Original Transaction Documents” means, collectively, the Fourth Supplemental Indenture, the Notes and the Standby Purchase Agreement.

“Permitted Lien” means a:

(i) Lien granted in respect of Indebtedness owed to the Brazilian government, *Banco Nacional de Desenvolvimento Econômico e Social* or any official government agency or department of Brazil or of any state or region thereof;

(ii) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Guarantor’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;

(iii) Lien arising from the Guarantor’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Guarantor’s past practice;

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

(v) Lien granted upon or with respect to any assets hereafter acquired by the Guarantor or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets;

(vi) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Guarantor or another Wholly-Owned Subsidiary;

(vii) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Guarantor or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(viii) Lien over any Qualifying Asset relating to a project financed by, and securing Indebtedness incurred in connection with, the Project Financing of such project by the Guarantor, any of the Guarantor’s Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

(ix) Lien existing as of the date of the Indenture;

(x) Lien resulting from the Transaction Documents;

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

(xii) 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 a Lien referred to in paragraphs (i) through (xi) above (but not paragraph (iv)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (i), (ii), (iii) and (vii), the obligees meet the requirements of such paragraphs and in the case of paragraph (viii), the Indebtedness is incurred in connection with a Project Financing by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary have any ownership or other similar interests; and

(xiii) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Guarantor's Permitted Liens pursuant to clauses (i) through (xii) of this definition, does not exceed 7.5% of the Guarantor's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Guarantor's balance sheet is prepared and published in accordance with applicable Law.

“Person” means any individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

“Process Agent” has the meaning specified in Section 16(c).

“Project Financing” of any project means the incurrence of Indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such Indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more Qualifying Assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such Indebtedness.

“Qualifying Asset” in relation to any Project Financing means:

(i) any concession, authorization or other legal right granted by any Governmental Authority to the Guarantor or any of the Guarantor's Subsidiaries, or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

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

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

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

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

“Registration Statement” means the registration statement on Form F-3 under the Securities Act, initially dated July 5, 2002 and as amended on July 19, 2002 and further amended on August 14, 2002, filed with the SEC (File No. 333-92044) covering the registration of the Notes under the Securities Act and including the related base prospectus in the form dated August 14, 2002 (the “Base Prospectus”) at the time such registration statement was declared effective by the SEC, as amended to the date hereof (including any post-effective amendment that includes a prospectus or prospectus supplement), together with any documents incorporated by reference therein.

“Reporting GAAP” means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) as from the date the Guarantor adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Successor Company” has the meaning specified in Section 8(m)(A).

“Termination Date” has the meaning specified in Section 6.

“TIA” means the United States Trust Indenture Act of 1939, as amended.

“Transaction Documents” means, collectively, the Indenture, the Notes and this Amended and Restated Guaranty.

“Underwriters” means Morgan Stanley & Co. Incorporated and Bear, Stearns & Co., Inc., acting as such under the Underwriting Agreement.

“Underwriting Agreement” has the meaning specified in Section 7(a).

“U.S. GAAP” means generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

(c)Construction. The parties agree that items (1) through (5) of Section 1.01 of the Indenture shall apply to this Amended and Restated Guaranty, except as otherwise expressly provided or unless the context otherwise requires.

SECTION 2. Guaranty.

(a) The Guarantor hereby unconditionally and irrevocably guarantees the full and punctual payment when due, as a guaranty of payment and not of collection, whether at the Stated Maturity, or earlier or later by acceleration or otherwise, of all obligations of the Issuer now or hereafter existing under the Indenture and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses or otherwise (such obligations being the “Guaranteed Obligations”), and the Guarantor agrees to pay any and all expenses (including reasonable and documented counsel fees and expenses) incurred by the Trustee or any Noteholder in enforcing any rights under this Amended and Restated Guaranty with respect to such Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor’s liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Issuer to the Trustee or any Noteholder under the Indenture and the Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization or similar proceeding involving the Issuer.

(b) In the event that the Issuer does not make payments to the Trustee of all or any portion of the Guaranteed Obligations, upon receipt of notice of such non-payment by the Trustee, the Guarantor will make immediate payment to the Trustee of any such amount or portion of the Guaranteed Obligations owing or payable under the Indenture and the Notes. Such notice shall specify the amount or amounts under the Indenture and the Notes that were not paid on the date that such amounts were required to be paid under the terms of the Indenture and the Notes.

(c) The obligation of the Guarantor under this Amended and Restated Guaranty shall be absolute and unconditional upon receipt by it of the notice contemplated herein absent manifest error. The Guarantor shall not be relieved of its obligations hereunder unless and until the Trustee shall have indefeasibly received all amounts required to be paid by the Guarantor hereunder (and any Event of Default under the Indenture has been cured, it being understood that the Guarantor's obligations hereunder shall terminate following payment by the Issuer and/or the Guarantor of the entire principal, all accrued interest and all other amounts due and owing in respect of the Notes and the Indenture. All amounts payable by the Guarantor hereunder shall be payable in U.S. dollars and in immediately available funds to the Trustee.

All payments actually received by the Trustee pursuant to this Section 2 after 1:00 p.m. (New York time) on any Business Day will be deemed, for purposes of this Amended and Restated Guaranty, to have been received by the Trustee on the next succeeding Business Day.

SECTION 3. Guaranty Absolute

(a) The Guarantor's obligations under this Amended and Restated Guaranty are absolute and unconditional regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Noteholder under its Notes or the Indenture. The obligations of the Guarantor under or in respect of this Amended and Restated Guaranty are independent of the Guaranteed Obligations or any other obligations of the Issuer, the Issuer's Subsidiaries or the Guarantor's Subsidiaries under or in respect of the Indenture and the Notes or any other document or agreement, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Amended and Restated Guaranty, irrespective of whether any action is brought against the Issuer or whether the Issuer is joined in any such action or actions. The liability of the Guarantor under this Amended and Restated Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

- (i) any lack of validity or enforceability of any of the Transaction Documents;
- (ii) any provision of applicable Law or regulation purporting to prohibit the payment by the Issuer of any amount payable by it under the Indenture and the 2014 Notes;
- (iii) any provision of applicable Law or regulation purporting to prohibit the payment by the Guarantor of any amount payable by it under this Amended and Restated Guaranty;
- (iv) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other person or entity under or in respect of the Transaction Documents, or any other amendment or waiver of or any consent to departure from any Transaction Document, including, without limitation, any increase in the obligations of the Issuer under the Indenture and the Notes as a result of further issuances, any rescheduling of the Issuer's obligations under the Notes of the Indenture or otherwise;

(v) any taking, release or amendment or waiver of, or consent to departure from, any other guaranty or agreement similar in function to this Amended and Restated Guaranty, for all or any of the obligations of the Issuer under the Indenture or the Notes;

(vi) any manner of sale or other disposition of any assets of any Noteholder;

(vii) any change, restructuring or termination of the corporate structure or existence of the Issuer or the Guarantor or any Subsidiary thereof or any change in the name, purposes, business, capital stock (including ownership thereof) or constitutive documents of the Issuer or the Guarantor;

(viii) any failure of the Trustee to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer or any of its Subsidiaries (the Guarantor hereby waiving any duty on the part of the Trustee or any Noteholders to disclose such information);

(ix) the failure of any other person or entity to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Indenture;

(x) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Trustee or any Noteholder that might otherwise constitute a defense available to, or a discharge of, the Issuer or the Guarantor or any other party; or

(xi) any claim of set-off or other right which the Guarantor may have at any time against the Issuer or the Trustee, whether in connection with this transaction or with any unrelated transaction.

(b) This Amended and Restated Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Noteholder or any other person or entity upon the insolvency, bankruptcy or reorganization of the Issuer or the Guarantor or otherwise, all as though such payment had not been made.

SECTION 4. Independent Obligation

The obligations of the Guarantor hereunder are independent of the Issuer's obligations under the Notes and the Indenture. The Trustee, on behalf of the Noteholders, may neglect or forbear to enforce payment under the Indenture and the Notes, without in any way affecting or impairing the liability of the Guarantor hereunder. The Trustee shall not be obligated to exhaust recourse or remedies against the Issuer to recover payments required to be made under the Indenture nor take any other action against the Issuer before being entitled to payment from the Guarantor of all amounts contemplated in Section 2 hereof owed hereunder or proceed against or have resort to any balance of any deposit account or credit on the books of the Trustee in favor of the Issuer or in favor of the Guarantor. Without limiting the generality of the foregoing, the Trustee shall have the right to bring a suit directly against the Guarantor, either prior or subsequent to or concurrently with any lawsuit against, or without bringing suit against, the Issuer.

SECTION 5. Waivers and Acknowledgments

(a) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Amended and Restated Guaranty and any requirement that the Trustee, on behalf of the Noteholders, protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person.

(b) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Amended and Restated Guaranty and acknowledges that this Amended and Restated Guaranty is continuing in nature and applies to the Guaranteed Obligations, whether the same are existing now or in the future.

(c) The Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Noteholder or the Trustee on behalf of the Noteholders that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Guarantor or other rights of the Guarantor to proceed against the Issuer or any other person or entity and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Guaranteed Obligations of the Guarantor hereunder.

(d) The Guarantor hereby unconditionally and irrevocably waives any duty on the part of the Trustee or any Noteholder to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer now or hereafter known by the Trustee or any Noteholder, as applicable.

(e) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Transaction Documents and that the waivers set forth in this Section 5 are knowingly made in contemplation of such benefits.

(f) The recitals contained in this Amended and Restated Guaranty shall be taken as the statements of the Issuer and the Guarantor, as applicable, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Amended and Restated Guaranty, of any offering materials, the Indenture or of the Notes.

(g) The Guarantor unconditionally and irrevocably waives, to the fullest extent permitted under Brazilian law, any benefit it may be entitled to under Articles 827, 834, 835, 838 and 839 of the Brazilian Civil Code, and under Article 595, caput, of the Brazilian Civil Procedure Code.

SECTION 6. Claims Against the Issuer

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Issuer or any other guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under or in respect of this Amended and Restated Guaranty or any other Transaction Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, or to participate in any claim or remedy of the Trustee, on behalf of the Noteholders, against the Issuer or any other person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or any other person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty and (b) the date on which all of the obligations of the Issuer under the Indenture and the Notes have been discharged in full (the later of such dates being the "Termination Date"), such amount shall be paid over to and received and held by the Trustee in trust for the benefit of the Noteholders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Trustee in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, whether matured or unmatured, in accordance with the terms of the Indenture. If (i) the Guarantor shall make payment to any Noteholder or the Trustee, on behalf of the Noteholders, of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash and (iii) the Termination Date shall have occurred, then the Trustee, on behalf of the Noteholders, will, at the Guarantor's written request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by the Guarantor pursuant to this Amended and Restated Guaranty.

SECTION 7. Representations and Warranties

The Guarantor made the following representations and warranties to the Trustee on behalf of the Noteholders as of the date of the Standby Purchase Agreement, all of which shall survive the execution and delivery of this Amended and Restated Guaranty:

(a) The Issuer and the Standby Purchaser (collectively, the “Companies”) and the transactions contemplated in the Underwriting Agreement dated as of September 8, 2004 among the Standby Purchaser, the Issuer and the Underwriters (the “Underwriting Agreement”) in connection with the offer and sale of the Notes meet the requirements set forth in Form F-3 under the Securities Act for use of the Registration Statement in connection with the offering of the Notes that are the subject of the Standby Purchase Agreement.

(b) The Standby Purchaser and the Issuer have filed the Registration Statement with the SEC, the Registration Statement has been declared effective under the Securities Act, no stop order suspending the effectiveness of the Registration Statement (including the Base Prospectus) is in effect and no proceedings for such purposes are pending or, to the best of the Companies’ knowledge, threatened by the SEC.

(c) The Standby Purchaser and the Issuer filed with the SEC on September 10, 2004 pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Base Prospectus (the “Final Prospectus Supplement”) dated September 8, 2004 relating to the Notes and the distribution thereof. The Base Prospectus as supplemented by the Final Prospectus Supplement in the form in which it was filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Final Offering Document”.

(d) Each of the Companies has filed all the documents required to be filed by it with the SEC pursuant to the Exchange Act, including but not limited to the annual reports on Form 20-F for the year ended December 31, 2003 and Forms 6-K in connection with their respective financial statements for the three months ended March 31, 2004 and for the six months ended June 30, 2004. Each document filed or to be filed by the Companies under the Exchange Act complied and will comply when so filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC and the documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Final Offering Document, at the time they were or hereafter are filed with the SEC, complied and will comply in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder.

(e) The Original Indenture, the September 2004 Fourth Supplemental Indenture and the Standby Purchase Agreement have been qualified under the TIA, and all filings and other actions required under the TIA to permit the use of the Fourth Supplemental Indenture, the issuance of the Notes thereunder and the execution by the Standby Purchaser and the Trustee of the Standby Purchase Agreement have been made and taken prior to the date of the Standby Purchase Agreement.

(f) Prior to the termination of the offering of the Notes, neither the Standby Purchaser nor the Issuer has filed any amendment to the Registration Statement or supplement to the Final Offering Document which shall not have previously been furnished to the Underwriters or of which the Underwriters shall not previously have been advised or to which the Underwriters shall have reasonably objected in writing.

(g) Each of the Registration Statement, as amended, as of the time it became effective under the Securities Act, and the Final Offering Document as amended or supplemented as of the date of the Standby Purchase Agreement, contained and contains all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. Neither (i) the Registration Statement, as amended, as of the time it became effective under the Securities Act nor (ii) the Final Offering Document as amended or supplemented as of the date of the Standby Purchase Agreement (including, for this purpose, documents incorporated by reference therein) contains or will contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Standby Purchaser does not make any representation or warranty as to the information contained in or omitted from the Registration Statement or the Final Offering Document in reliance upon and in conformity with information furnished in writing to the Standby Purchaser and the Issuer by any Underwriter, specifically for inclusion therein, which shall consist solely of the first and sixth paragraphs under the captions “Plan of Distribution” in the Final Prospectus Supplement.

(h) Neither the Issuer nor the Standby Purchaser is an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder. After giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Registration Statement and the Final Offering Document neither the Issuer nor the Standby Purchaser will be an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

(i) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has paid or agreed to pay to any person any compensation for soliciting another to purchase (i) the Notes or (ii) any other securities of the Standby Purchaser or the Issuer within the last 90 days, except in the case of either (i) or (ii) as contemplated by the Underwriting Agreement.

(j) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has, directly or indirectly, taken any action designed to cause or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Standby Purchaser or the Issuer to facilitate the initial sale or resale of the Notes under the Exchange Act, or otherwise.

(k) The Standby Purchaser has been duly organized and is validly existing as a sociedade de economia mista (mixed-capital company) in good standing (to the extent that good standing is applicable under applicable Law) under the Laws of Brazil. Each of the Standby Purchaser’s Significant Subsidiaries (as defined in Rule 12b-2 under the Exchange Act) has been duly incorporated and is validly existing as a corporation in good standing (to the extent relevant) under the Laws of the jurisdiction in which it is chartered or organized. Each of the Standby Purchaser and its Significant Subsidiaries is licensed (if and to the extent required by law) and has the full corporate power and authority to own or lease, as the case may be, and to operate its properties and to conduct its business as described in the Registration Statement and the Final Offering Document and to enter into and perform its obligations under the Standby Purchase Agreement and the other Original Transaction Documents to which it is a party, and is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction which requires such qualification, except, in the case of its Significant Subsidiaries other than the Issuer, where the failure to be so qualified will not have a Material Adverse Effect. The Standby Purchaser owns, directly or indirectly, all of the outstanding equity interests of the Issuer and its other Significant Subsidiaries.

(l) All the outstanding shares of capital stock, if any, of each Subsidiary of the Standby Purchaser have been duly and validly authorized and issued and are fully paid and non-assessable except, in the case of the Subsidiaries (other than the Issuer), as would not have a Material Adverse Effect, and all outstanding shares of capital stock of the Subsidiaries are owned by the Companies, as the case may be, either directly or through wholly owned Subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(m) The Standby Purchaser's capitalization is as set forth in the Final Offering Document.

(n) There have been no material changes with respect to the matters disclosed in "Item 11. Qualitative and Quantitative Disclosure About Market Risk" in the Form 20-F of the Standby Purchaser for the year ended December 31, 2003, except as otherwise specified in the Final Offering Document.

(o) The Standby Purchase Agreement has been duly authorized, executed and delivered by the Standby Purchaser; each of the Standby Purchase Agreement, the September 2004 Fourth Supplemental Indenture and each other document executed and delivered in connection therewith to which the Standby Purchaser is party has been duly authorized and, assuming due authorization, execution and delivery thereof by each other party to those Original Transaction Documents (other than the Standby Purchaser), when executed and delivered by the Standby Purchaser, will constitute a legal, valid and binding agreement of the Standby Purchaser, enforceable against the Standby Purchaser in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the descriptions of the Original Transaction Documents in the Registration Statement and the Final Offering Document fairly summarize the rights and obligations of the parties thereto.

(p) The Notes have been duly authorized, and, when issued under the Fourth Supplemental Indenture, authenticated by the Trustee and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will have been duly executed, issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity and will be entitled to the benefits provided by the Fourth Supplemental Indenture as described in the Registration Statement and the Final Offering Document.

(q) The Notes will constitute the general unsecured and unsubordinated obligations of the Issuer and will rank pari passu in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Issuer that are not, by their terms, expressly subordinated in right of payment to the Notes, except for statutory liens and preferences. The obligations of the Standby Purchaser under the Standby Purchase Agreement will constitute the general unsecured and unsubordinated obligations of the Standby Purchaser and will rank pari passu in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Standby Purchaser that are not, by their terms, expressly subordinated in right of payment to the rights of the Trustee, except for statutory liens and preferences.

(r) No consent, approval, authorization, filing with or order of any Governmental Authority is required for (i) the valid authorization, issuance, sale and delivery of the Notes or (ii) the execution, delivery or performance by the Issuer and the Standby Purchaser of any of their respective obligations under any of the Original Transaction Documents in the manner contemplated in the Registration Statement and the Final Offering Document, including, without limitation, making any of the applicable payments required to be made after the date of the Standby Purchase Agreement under or in respect of any of the Original Transaction Documents, except for (i) the filing of the Final Prospectus Supplement pursuant to Rule 424(b) under the Securities Act, which has been effected prior to the date of the Standby Purchase Agreement, (ii) such consents as may be required under state or foreign securities or blue sky laws and (iii) such filings or consents as may be required by the by-laws and rules of the National Association of Securities Dealers, Inc. or NASD Regulation, Inc. in connection with the use of the Base Prospectus for issuances of securities by the Standby Purchaser and the Issuer and the purchase and distribution of the Notes by the Underwriters and the confirmation by the National Association of Securities Dealers, Inc. that it has no objection with respect to the fairness and reasonableness of the underwriting terms and arrangements, each of which has, to the best of the Companies' knowledge been obtained and is in full force and effect.

(s) Neither of the Issuer or the Standby Purchaser is currently in violation of its charter, by-laws or comparable organizational documents; neither the issuance and sale of the Notes, the execution and delivery of any of the Original Transaction Documents or the consummation of any of the transactions described or contemplated therein, or the fulfillment of the terms thereof will conflict with, or give rise to any right to accelerate the maturity or require the prepayment, repurchase or redemption of any indebtedness under, or result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Companies or any of their Material Subsidiaries pursuant to, (i) the charter, by-laws or comparable organizational documents of either of the Issuer or the Standby Purchaser or any of their Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Issuer or the Standby Purchaser or any of their Subsidiaries is a party or is bound or to which any of their property or assets is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Issuer or the Standby Purchaser or any of their Subsidiaries, except in the case of clauses (ii) or (iii) such as could not reasonably be expected to have a Material Adverse Effect.

(t) The consolidated historical financial statements of the Issuer and the Standby Purchaser and their consolidated Subsidiaries included in the Final Offering Document, together with the related notes, have been prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods involved (except as otherwise noted therein) and present fairly in all material respects the financial condition, results of operations and cash flows of the Issuer and the Standby Purchaser as of the dates and for the periods indicated; the summary financial information set forth under the captions “Summary Financial Information for PIFCo,” and “Summary Financial Information for Petrobras” in the Final Offering Document fairly present, on the basis stated in the Final Offering Document, the information included therein. Except as disclosed in the Final Offering Document, there has been no material adverse change in the condition (financial or otherwise), prospects, earnings, business or properties of either of the Issuer or the Standby Purchaser and their consolidated Subsidiaries, taken as a whole, since December 31, 2003. The segment data and other financial and statistical information incorporated by reference in the Registration Statement and the Final Offering Document present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are incorporated by reference in the Registration Statement and the Final Offering Document and the books and records of the respective entities presented therein.

(u) There are no pro forma or consolidated financial statements or other financial statements or data which are required to be included or incorporated by reference in the Registration Statement and the Final Offering Document in accordance with Regulation S-X under the Securities Act which have not been included as so required.

(v) The statistical, industry-related and market-related data included in the Final Offering Document are based on or derived from sources which the Standby Purchaser and the Issuer reasonably and in good faith believe are reliable and accurate, and such data agree with the sources from which they are derived.

(w) Except as set forth or contemplated in the Final Offering Document, neither of the Issuer or the Standby Purchaser has entered into any transaction or agreement (whether or not in the ordinary course of business) material to either of the Issuer or the Standby Purchaser individually or the Issuer and the Standby Purchaser taken as a whole with their consolidated Subsidiaries.

(x) No action, suit or proceeding by or before any Governmental Authority involving the Issuer or the Standby Purchaser or any of their Subsidiaries or their property or assets is pending or, to the best knowledge of the Standby Purchaser, threatened, involving or in any way relating to (i) the Standby Purchase Agreement, any of the other Original Transaction Documents or the transactions contemplated therein or (ii) any other matter that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Final Offering Document. Neither the Issuer, the Standby Purchaser or any of their Subsidiaries is in violation of or in default with respect to any applicable statute (including, without limitation, any applicable provision of the Sarbanes-Oxley Act, including any rules and regulations thereunder or related thereto), rule, writ, injunction, decree, order or regulation of any Governmental Authority having jurisdiction over such Person which is reasonably likely to have a Material Adverse Effect.

(y) Each of the Issuer and the Standby Purchaser and each of their respective Subsidiaries has good and marketable title to all of their properties and assets and owns or leases all such properties and assets as are both described in the Final Offering Document and necessary to the conduct of its operations as presently conducted free and clear of any liens, charges, security interests or other encumbrances except such as (i) do not materially interfere with the intended use thereof and (ii) could not reasonably be expected to have a Material Adverse Effect. All leases and subleases material to the business of each of the Companies under which either of the Issuer and the Standby Purchaser holds properties, as described in the Final Offering Document, are in full force and effect; and neither the Standby Purchaser nor the Issuer has had any notice that any material claim of any sort has been asserted by anyone adverse to the Standby Purchaser's or the Issuer's rights under any leases or subleases mentioned above, or affecting or questioning the rights thereof to the continued possession of the leased or subleased premises under any such lease or sublease, except as would not result in a Material Adverse Effect.

(z) Each of PricewaterhouseCoopers Auditores Independentes and Ernst & Young Auditores Independentes (who have certified the financial statements of the Issuer and the Standby Purchaser and supporting schedules and information of Standby Purchaser and the Issuer and their consolidated Subsidiaries and delivered their report with respect to the audited and unaudited consolidated financial statements and other financial information included in the Final Offering Document relating to the Issuer and the Standby Purchaser and their consolidated Subsidiaries) are independent public accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the applicable requirements of the Regulation S-X under the Securities Act and the Exchange Act and, in the case of PricewaterhouseCoopers Auditores Independentes, and Ernst & Young Auditores Independentes are certified public accountants with respect to the Standby Purchaser and the Issuer under the standards established by the local authorities in the Cayman Islands and Brazil.

(aa) Each of the Issuer and the Standby Purchaser and their respective Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the Issuer and the Standby Purchaser are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against such person or any of its respective properties and all other taxes, assessments, fees or other charges imposed on such person or any of its respective properties by, any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles have been provided on the books of such person); and no material tax liens or material liens with respect to any assessments, fees or other charges have been filed and, to the knowledge of such person, no material claims are being asserted with respect to any such taxes, assessments, fees or other charges.

(bb) The Issuer and the Standby Purchaser and each of their respective Subsidiaries are insured by insurers that the Issuer and the Standby Purchaser reasonably believe to be financially sound against such losses and risks and in such amounts as are prudent and customary in the businesses and in the geographical regions in which they are engaged except when the failure to do so would not have a Material Adverse Effect; and neither of the Issuer or the Standby Purchaser nor any Subsidiary thereof has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(cc) No Subsidiary of the Issuer or the Standby Purchaser is currently prohibited, directly or indirectly, from paying any dividends to either of the Issuer or the Standby Purchaser, from making any other distribution on such Subsidiary's capital stock, from repaying to the Issuer or the Standby Purchaser any loans or advances to such Subsidiary from the Issuer or the Standby Purchaser or from transferring any of such Subsidiary's property or assets to the Issuer or the Standby Purchaser or any other Subsidiary of the Issuer or the Standby Purchaser.

(dd) The Issuer and the Standby Purchaser and their Subsidiaries possess all material licenses, certificates, permits and other authorizations issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could have a Material Adverse Effect.

(ee) To ensure the legality, validity, enforceability or admissibility into evidence of any of the Original Transaction Documents, it is not necessary that any such other document be filed or recorded with any court or other authority in Brazil or the Cayman Islands (other than such authorizations or filings that have already been obtained or made, as applicable), or that any stamp or similar tax be paid in either Brazil or the Cayman Islands on or in respect of any such document, except as provided in the Registration Statement and the Final Offering Document. It is not necessary under the laws of Brazil or the Cayman Islands that any of the holders of the Notes, be licensed, qualified or entitled to carry on business in either Brazil or the Cayman Islands by reason of the execution, delivery, performance or enforcement of any of the Original Transaction Documents.

(ff) The Issuer and the Standby Purchaser and each of their respective Subsidiaries each maintain a system of internal accounting and other controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(gg) The Issuer and the Standby Purchaser and their respective Subsidiaries (i) are in compliance with any and all applicable Environmental Laws, (ii) have received and are in compliance with all permits, licenses or other approvals required of them under the applicable Environmental Laws to conduct their respective businesses and (iii) except as described in the Registration Statement and the Final Offering Document, have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of clauses (i), (ii) and (iii) above where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in the Registration Statement and in the Final Offering Document, neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has been named as a "potentially responsible party" under the United States Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, nor has the Issuer or any such Subsidiary been identified as the party responsible or potentially responsible for any breach or violation of any other similar Environmental Law.

(hh) In the ordinary course of its business, the Issuer and the Standby Purchaser periodically review the effect of Environmental Laws on the business, operations and properties of the Issuer and the Standby Purchaser and their Subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Issuer and the Standby Purchaser have reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect.

(ii) The information set forth in the Registration Statement and in the Final Offering Document relating to oil and gas reserves, oil and gas wells and any other oil and gas related information required to be disclosed in such Registration Statement and Final Offering Document has been prepared by the Issuer and the Standby Purchaser in all material respects on the basis disclosed in the Registration Statement and in the Final Offering Document and conforms in all material respects to the requirements of the Securities Act and the Exchange Act, as the case may be.

(jj) The indemnification and contribution provisions set forth in Section 14 of the Standby Purchase Agreement do not contravene Brazilian or Cayman Islands law or public policy.

(kk) The Issuer and the Standby Purchaser are subject to civil and commercial law in respect of their obligations under the Standby Purchase Agreement and the Issuer and the Standby Purchaser are not, nor are any of their properties, assets or revenues subject to any right of immunity under Cayman Islands, Brazilian or New York law, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any Cayman Islands, Brazilian, New York or United States federal court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court with respect to its obligations, liabilities or any other matter under or arising out of or in connection therewith; and, to the extent that the Issuer and the Standby Purchaser or any of their properties, assets or revenues may have or may thereafter become entitled to any such right of immunity in any such court in which proceedings arising out of, or relating to the transactions contemplated thereby, may at any time be commenced, the Companies have waived or will waive such right to the extent permitted by law and have consented to such relief and enforcement as provided therein.

(ll) The submission of the Issuer and the Standby Purchaser to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York, County of New York, and the United States District Court for the Southern District of New York (each, a "New York court") in Section 16 of the Standby Purchase Agreement, in the case of the Standby Purchaser, and, as applicable, under each of the Original Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; the appointment of the Standby Purchaser's New York Branch located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent for the purpose described in Section 16 of the Standby Purchase Agreement and under each of the other Original Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; and the choice of law provision set forth in Section 16 of the Standby Purchase Agreement and in each Original Transaction Document is legal, valid and binding under the laws of Brazil and the Cayman Islands. Any final judgment of a New York court in respect of any amount payable by the Issuer and the Standby Purchaser under any Original Transaction Document and which conforms with Brazilian or Cayman Island, as applicable, law, rule, regulation or public policy and with the provisions for enforcement of foreign judgments set forth in the Final Memorandum be enforceable in the courts of Brazil and the Cayman Islands without reexamination of the merits.

(mm) Any final judgment for a fixed or readily calculable sum of money rendered by any court of the State of New York or of the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Issuer and the Standby Purchaser based upon the Standby Purchase Agreement would be declared enforceable against the Issuer and the Standby Purchaser by the courts of the Cayman Islands or Brazil, as applicable, without re-examination, review of the merits of the cause of action in respect of which the original judgment was given or relitigation of the matters adjudicated upon or payment of any stamp, registration or similar tax or duty, as provided in the provisions for enforcement of foreign judgments set forth in the Final Offering Document.

(nn) No part of the proceeds of the sale of the Notes will be used for any purpose that violates the provisions of any of Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(oo) Both presently and immediately after giving effect to the transactions contemplated under the Standby Purchase Agreement and in the Final Offering Document, each of the Issuer and the Standby Purchaser (i) is and will be able to pay its debts as they become due and (ii) is not insolvent as defined under applicable Brazilian bankruptcy, insolvency or similar law or Cayman Islands bankruptcy, insolvency or similar law.

(pp) None of the holders of the Notes, the Underwriters or the Trustee will be deemed resident, domiciled, carrying on business or subject to taxation in Brazil or the Cayman Islands solely by the execution, delivery, performance or enforcement of any of the Original Transaction Documents or by virtue of the ownership or transfer of a Note or the receipt of payment thereon assuming that none of such persons is a resident of Brazil or the Cayman Islands or has a permanent establishment or a fixed base in Brazil or the Cayman Islands.

(qq) No Default or Event of Default (as defined in the Fourth Supplemental Indenture) has occurred and is continuing.

(rr) There are no Cayman Islands taxes on or by virtue of the execution or delivery of the Standby Purchase Agreement, the Fourth Supplemental Indenture, the Notes or any of the other Original Transaction Documents or any other document to be furnished thereunder. Payments to be made by the Issuer and the Standby Purchaser or any other party to any of the Original Transaction Documents pursuant to the Original Transaction Documents will not be subject to Cayman Islands taxes. There are no stamp or other issuance or transfer taxes or duties or other similar fees or charges required to be paid in connection with the execution and delivery of any of the Original Transaction Documents or the consummation of any of the other transactions described therein or the issuance and sale by the Issuer of the Notes.

(ss) There is no tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of the Standby Purchase Agreement or any of the other Original Transaction Documents or (ii) on any payment to be made by the Standby Purchaser to the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the holders (that are non-residents of Brazil) of the Notes pursuant to the Standby Purchase Agreement, except with respect to any payment of interest, fees or other income made to a party thereto outside of Brazil from funds of the Standby Purchaser in Brazil each of which currently would be subject to a withholding tax which, as of the date thereof, is levied at the rate of 15%, 25% if the beneficiary is domiciled in a tax haven jurisdiction or such other lower rate, as it may be contemplated in a bilateral treaty aimed at avoiding double taxation between Brazil and such other country where the recipient of the payment has its domicile. The Standby Purchaser is permitted to make all payments pursuant to the Standby Purchase Agreement free and clear of all taxes, levies, imposts, deductions, charges or withholdings imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein, and no such payment in the hands of the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the Holders (that are non-residents of Brazil) of the Notes will be subject to any tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority therein or thereof, in each case except as provided in the immediately preceding sentence. The Standby Purchaser intends to make all payments pursuant to the Standby Purchase Agreement from funds offshore Brazil. The Standby Purchaser does not believe or reasonably expect that any interest paid or purchases of Purchase Obligations (as defined in the Standby Purchase Agreement) made by the Standby Purchaser pursuant to the terms thereof will constitute interest paid by a trade or business in the United States within the meaning of Section 884 (f) (1) (A) of the Internal Revenue Code of 1986, as amended. To ensure the legality, validity, enforceability or admissibility in evidence of the Standby Purchase Agreement in Brazil, it is not necessary that the Standby Purchase Agreement or any other document be filed or recorded with any court or other authority in Brazil, other than the notarization of the signatures of the parties signing outside Brazil, the subsequent consularization (authentication) of the signature of such a notary by a Brazilian consulate official and the subsequent translation of the Standby Purchase Agreement into Portuguese by a sworn translator, or that any stamp or similar tax be paid on or in respect of the Standby Purchase Agreement or any of the other Original Transaction Documents.

(tt) After being notarized, consularized and translated into Portuguese by a sworn translator, the Standby Purchase Agreement will be in proper legal form under the laws of Brazil for the enforcement thereof in Brazil.

(uu) To the extent the Standby Purchaser or its respective property has or may in the future have any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, set-off or counterclaim, the jurisdiction of any competent court, service of process, attachment or execution, in any jurisdiction, with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with the Standby Purchase Agreement and any other Original Transaction Documents, the Standby Purchaser has effectively waived such rights as provided in Section 16 of the Standby Purchase Agreement; provided that no assets of the Standby Purchaser which are specifically used in the furtherance of the activities listed in Article 177 of the Brazilian Constitution, in respect of which the Brazilian government has a monopoly, could be used by any person in Brazil acquiring such assets as a result of the execution thereof in violation of the provisions contained in such Article 177 of the Brazilian Constitution. The execution and delivery of the Standby Purchase Agreement by the Standby Purchaser and the performance of its obligations thereunder by the Standby Purchaser constitute private and commercial acts rather than governmental or public acts.

(vv) Except as described in the Final Offering Document and except as to matters, individually or in the aggregate, which could not reasonably be expected to have a Material Adverse Effect:

(i) The Standby Purchaser and its Material Subsidiaries have obtained all environmental permits with respect to the business in which they are engaged and with respect to the facilities and properties owned, leased or operated by the Standby Purchaser or any of its Material Subsidiaries, and the business and all operations at the properties of the Standby Purchaser are in compliance with all environmental permits and are otherwise in compliance with all environmental laws;

(ii) No officer of the Standby Purchaser or of any of its Material Subsidiaries has received any notice of any claim with respect to any of the properties, the business or otherwise, nor does the Standby Purchaser have knowledge or reason to believe that any such claim will be received or is threatened; and

(iii) There are no past or present actions, activities, events, conditions or circumstances, including the release, threatened, release, emission, discharge, generation, treatment, storage or disposal of any hazardous materials at any locations, that would reasonably be expected to give rise to liability of the Standby Purchaser or any of its Material Subsidiaries under any law or any contract or agreement.

(ww) The Standby Purchaser has, independently and without reliance upon any Noteholder and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Standby Purchase Agreement and each other Original Transaction Document to which it is or is to be a party, and the Standby Purchaser has established adequate means of obtaining from the Issuer on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of the Issuer.

SECTION 8. Covenants

For so long as the Notes remain outstanding or any amount remains unpaid on the Notes and the Indenture, the Guarantor will, and will cause each of its Subsidiaries to comply, with the terms and covenants set forth below (except as otherwise provided in a duly authorized amendment to this Amended and Restated Guaranty as provided herein):

(a) Performance of Obligations. The Guarantor shall pay all amounts owed by it and comply with all its other obligations under the terms of this Amended and Restated Guaranty and the Indenture in accordance with the terms thereof.

(b) Maintenance of Corporate Existence. The Guarantor will, and will cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor except as otherwise permitted by Section 8(m) and (ii) take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided, however,* that this Section 8(b) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any such right, privilege, title to property or franchise or require the Guarantor to preserve the corporate existence of any Subsidiary, if, in each case, the failure to do so does not, and will not, have a Material Adverse Effect.

(c) Maintenance of Properties. The Guarantor will, and will cause each of its Subsidiaries to, maintain and keep in good condition, repair and working order (normal wear and tear excepted) all properties used or useful in the conduct of its or its Subsidiaries businesses, and will, and will cause each of its Subsidiaries to, make all necessary repairs, renewals, replacements and improvements thereof, all as in the judgment of the Guarantor shall be necessary properly to conduct at all times the business carried on in connection therewith; provided, that this Section 8(c) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any of such properties if the failure to maintain such properties does not, and will not, have a Material Adverse Effect.

(d) Compliance with Laws and Agreements. The Guarantor will comply, and will cause its Subsidiaries to comply, at all times in all material respects with all applicable Laws (including, without limitation, Environmental Laws), rules, regulations, orders and directives of any Governmental Authority having jurisdiction over the Guarantor and each Subsidiary thereof or their businesses or any of the transactions contemplated herein. The Guarantor will also comply, and will cause its Subsidiaries to comply, with all covenants and other obligations contained in any agreements to which they are a party, except where the failure so to comply would not have a Material Adverse Effect.

(e) Maintenance of Governmental Approvals. The Guarantor will, and will cause its Subsidiaries to, duly obtain and maintain in full force and effect all approvals of Governmental Authorities and third parties, consents or licenses which are necessary under the laws of Brazil, the Cayman Islands or any other jurisdiction having jurisdiction over the Guarantor and each Subsidiary thereof in connection with the execution, delivery and performance of this Amended and Restated Guaranty and each other Transaction Document by the Guarantor or the validity or enforceability of any thereof.

(f) Payments of Taxes and Other Claims. The Guarantor will, and will cause each of its Subsidiaries to, pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon the Guarantor or such Subsidiary, as the case may be, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Guarantor or such Subsidiary, as the case may be; provided, however, that this Section 8(f) shall not require the Guarantor to, or to cause any Subsidiary thereof to, pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith and, if appropriate, by appropriate legal proceedings or where the failure to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim would not have a Material Adverse Effect.

(g) Maintenance of Ownership of the Issuer. For so long as any Notes are outstanding, the Guarantor will retain no less than 51% direct or indirect ownership of the outstanding voting and economic interests (equity or otherwise) of and in the Issuer.

(h) Maintenance of Insurance. The Guarantor will, and will cause each of its Subsidiaries to, maintain insurance with insurance companies that the Guarantor reasonably believes to be financially sound in such amounts and covering such risks as are usually carried by companies engaged in similar businesses and owning or operating properties or facilities similar to those owned and operated by the Guarantor or its Subsidiaries, as the case may be, in the same general areas in which the Guarantor and its Subsidiaries own or operate their properties or facilities, except where the failure to do so would not have a Material Adverse Effect.

(i) Maintenance of Books and Records. The Guarantor shall, and shall cause each of its Material Subsidiaries to, maintain books, accounts and records in accordance with Reporting GAAP, in the case of the Guarantor and the Issuer, and, in the case of each other Subsidiary of the Guarantor, generally accepted accounting principles in the jurisdiction where each such Subsidiary is organized.

(j) Maintenance of Office or Agency. So long as any of the Notes are outstanding, the Guarantor will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon the Guarantor in respect of this Amended and Restated Guaranty may be served, and the Guarantor will not change the designation of such office without prior written notice to the Trustee and designation of a replacement office in the same general location.

(k) Ranking. The Guarantor will ensure at all times that its obligations under this Amended and Restated Guaranty will constitute the general senior unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu*, without any preferences among themselves, with all other present and future senior unsecured and unsubordinated obligations of the Guarantor (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of the Guarantor under this Amended and Restated Guaranty.

(l) Notice of Defaults. The Guarantor will give written notice to the Trustee, as soon as is practicable and in any event within ten calendar days after the Guarantor becomes aware, or should reasonably become aware, of the occurrence of any Default or any Event of Default, accompanied by a certificate of an officer of the Guarantor setting forth the details thereof and stating what action the Guarantor proposes to take with respect thereto.

(m) Limitation on Consolidation, Merger, Sale or Conveyance. (i) The Guarantor will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect Subsidiary of the Guarantor) or permit any person or entity (other than a direct or indirect Subsidiary of the Guarantor) to merge with or into it, unless:

(A) either the Guarantor is the continuing entity or the person (the “Successor Company”) formed by such consolidation or into which the Guarantor is merged or that acquired or leased such property or assets of the Guarantor will be a corporation organized and validly existing under the laws of Brazil and shall assume (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to this Amended and Restated Guaranty (the form and substance of which shall be previously approved by the Trustee), all of the Guarantor’s obligations under this Amended and Restated Guaranty;

(B) the Successor Company (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each Noteholder against any tax, assessment or governmental charge thereafter imposed on such Noteholder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes pursuant to this Amended and Restated Guaranty;

(C) immediately after giving effect to such transaction, no Event of Default, and no Default has occurred and is continuing;

(D) the Guarantor has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such merger consolidation, sale, transfer or other conveyance or disposition and the amendment to this Amended and Restated Guaranty comply with the terms of this Amended and Restated Guaranty and that all conditions precedent provided for herein and relating to such transaction have been complied with; and

(E) the Guarantor has delivered notice of any such transaction to Moody’s (which notice shall contain a description of such merger, consolidation or conveyance).

(ii) Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and the Guarantor has delivered notice of any such transaction to Moody’s and the Trustee (which notice shall contain a description of such merger, consolidation or conveyance):

(A) the Guarantor may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect Subsidiary of the Guarantor in cases when the Guarantor is the surviving entity in such transaction and such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole, it being understood that if the Guarantor is not the surviving entity, the Guarantor shall be required to comply with the requirements set forth in the previous paragraph; or

(B) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than the Guarantor or any of its Subsidiaries or Affiliates) in cases when such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole; or

(C) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any direct or indirect Subsidiary of the Guarantor; or

(D) any direct or indirect Subsidiary of the Guarantor may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor, and would not result in a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of the Guarantor.

(n) Negative Pledge. So long as any Notes remains outstanding, the Guarantor will not create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness or (ii) the Indebtedness of any other person, unless the Guarantor contemporaneously creates or permits such Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture. In addition, the Guarantor will not allow any of the Guarantor's Material Subsidiaries to create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness, (ii) any of the Indebtedness of the Guarantor's Subsidiaries or (iii) the Indebtedness of any other person, unless it contemporaneously creates or permits the Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor or such Subsidiary provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture.

(o) Transactions with Affiliates. The Guarantor shall not, and shall not permit any of its Subsidiaries to, enter into or carry out (or agree to enter into or carry out) any transaction or arrangement with any Affiliate, except for any transaction or arrangement entered into or carried out on terms no less favorable to the Guarantor or such Subsidiary than those which could have been obtained on an arm's-length basis with a person that is not an Affiliate, provided, however, that the foregoing shall not apply to transactions (i), between the Guarantor and the Issuer or any Subsidiary of the Issuer or (ii) except as otherwise permitted pursuant to clause (i), between or among the Guarantor, the Issuer and any of their respective Subsidiaries not involving any other person so long as consummation of any such transaction described in this clause (ii) will not have a Material Adverse Effect.

(p) Provision of Financial Statements and Reports. (i) The Guarantor will provide to the Trustee, in English or accompanied by a certified English translation thereof, (A) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP, (B) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP and (C) such other financial data as the Trustee may reasonably request.

(ii) The Guarantor will provide, together with each of the financial statements delivered pursuant to Sections 8(p)(i)(A) and (B), an Officer's Certificate stating that a review of the activities of the Guarantor and the Issuer has been made during the period covered by such financial statements with a view to determining whether the Guarantor and the Issuer have kept, observed, performed and fulfilled their covenants and agreements under this Amended and Restated Guaranty and the Indenture, as applicable, and that no Default or Event of Default has occurred during such period or, if one or more have actually occurred, specifying all such events and what actions have been taken and will be taken with respect to such Default or Event of Default.

(iii) The Guarantor shall, whether or not it is required to file reports with the SEC, file with the SEC and deliver to the Trustee (for redelivery to all Noteholders) all reports and other information as it would be required to file with the SEC under the Exchange Act if it were subject to those regulations; *provided, however*, that if the SEC does not permit the filing described in the first sentence of this Section 8(p)(iii), the Guarantor will provide annual and interim reports and other information to the Trustee within the same time periods that would be applicable if the Guarantor were required and permitted to file these reports with the SEC.

(q) Further Actions. The Guarantor will, at its own cost and expense, and will cause its Subsidiaries to, at their own cost and expense, take any action, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, in the reasonable opinion of the Trustee, in accordance with applicable Laws (as applicable) to be taken, fulfilled or done in order to (i) enable the Guarantor to lawfully enter into, exercise its rights and perform and comply with its obligations under this Amended and Restated Guaranty and each of the other Transaction Documents to which it is a party, as the case may be, (ii) ensure that the Guarantor's obligations under this Amended and Restated Guaranty and each of the other Transaction Documents are legally binding and enforceable, (iii) make this Amended and Restated Guaranty and each of the other Transaction Documents admissible in evidence in the courts of the State of New York, Brazil or the Cayman Islands, (iv) enable the Trustee to exercise and enforce its rights under and carry out the terms, obligations, provisions and purposes of this Amended and Restated Guaranty and each of the other Transaction Documents, (v) take any and all action necessary to preserve the enforceability of, and maintain the Trustee's rights under this Amended and Restated Guaranty and the other Transaction Documents, including, without limitation, refraining from taking any action that reasonably can be expected to have an adverse effect on the enforceability of, or any of the Trustee's rights under, this Amended and Restated Guaranty and the other Transaction Documents, and (vi) assist the Trustee in the Trustee's performance of its obligations under this Amended and Restated Guaranty and the other Transaction Documents; provided, however, that the Guarantor shall not be required to take any action contemplated herein if it promptly (and in no event later than two Business Days after any such request) provides to the Trustee a written opinion from counsel reasonably acceptable to the Trustee specifying that the failure to take such action or satisfy such condition would not have an adverse effect on the rights of the Noteholders.

SECTION 9. Amendments,Etc.

No amendment or waiver of any provision of this Amended and Restated Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Trustee and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. For the avoidance of doubt, Article IX of the Indenture shall apply to an amendment to this Amended and Restated Guaranty to determine whether the consent of Holders is required for an amendment and if so, the required percentage of Holders of the Notes required to approve the amendment.

SECTION 10. Indemnity

(a) Without limitation on any other obligations of the Guarantor or remedies of the Trustee under this Amended and Restated Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Trustee and its officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Purchase Obligation to be the legal, valid and binding obligations of the Guarantor enforceable against it in accordance with their terms.

(b) The Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Guarantor or any of its Affiliates or any of their respective officers, directors, employees, agents and advisors, and the Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Transaction Documents or any of the transactions contemplated by the Transaction Documents.

SECTION 11. Notices, Etc.

(a) All notices and other communications provided for hereunder shall be in writing (including telegraphic or teletype) and mailed, teletyped or delivered by hand, if to the Guarantor, addressed to it at Avenida República do Chile, 65, 20035-900 Rio de Janeiro - RJ, Brazil, Telephone: (55-21) 3224-4079, Teletypewriter: (55-21) 3224-6197, Attention: Sonia Tereza Terra Figueiredo Vasconcellos, Corporate Finance & Treasury/Debt Control, if to the Trustee, at The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York, 10286, USA, Telephone: (1-212) 815-5616, Teletypewriter: (1-212) 815-5603, Attention: Corporate Trust Department or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when teletyped, be effective when transmitted. Delivery by teletypewriter of an executed counterpart of a signature page to any amendment or waiver of any provision of this Amended and Restated Guaranty shall be effective as delivery of an original executed counterpart thereof.

(b) All payments made by the Guarantor to the Trustee hereunder shall be made to the Payment Account (as defined in the Indenture).

SECTION 12. Survival

Without prejudice to the survival of any of the other agreements of the Guarantor under this Amended and Restated Guaranty or any of the other Transaction Documents, the agreements and obligations of the Guarantor contained in Section 2 (with respect to the payment of all other amounts owed under the Indenture), Section 7, Section 10 and Section 15 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Amended and Restated Guaranty, the termination of this Amended and Restated Guaranty and/or the resignation or removal of the Trustee.

SECTION 13. No Waiver; Remedies

No failure on the part of the Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 14. Continuing Agreement; Assignment of Rights Under the Indenture and the

Notes

This Amended and Restated Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the repayment in full by the Issuer of all amounts due and owing under the Indenture with respect to the Notes and (ii) the repayment in full of all Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Trustee, on behalf of Noteholders, and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Noteholder may assign or otherwise transfer its rights and obligations under the Indenture (including, without limitation, the Note or Notes held by it) to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Noteholder herein or otherwise, in each case as and to the extent provided in the Indenture. The Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of all of the Noteholders.

SECTION 15. Currency Rate Indemnity

(a) The Guarantor shall (to the extent lawful) indemnify the Trustee and the Noteholders and keep them indemnified against:

(i) in the case of nonpayment by the Guarantor of any amount due to the Trustee, on behalf of the Noteholders, under this Amended and Restated Guaranty any loss or damage incurred by any of them arising by reason of any variation between the rates of exchange used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Guarantor; and

(ii) any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which the local currency equivalent of the amounts due or contingently due under this Amended and Restated Guaranty or in respect of the Notes is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Guarantor, and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any bankruptcy, insolvency or liquidation or any distribution of assets in connection therewith.

(b) The Guarantor agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of its obligations hereunder is expressed in a currency (the “Judgment Currency”) other than U.S. dollars (the “Denomination Currency”), it will indemnify the relevant Holder and the Trustee against any deficiency arising or resulting from any variation in rates of exchange between the date at which the amount in the Denomination Currency is notionally converted into the amount in the Judgment Currency for the purposes of such judgment or order and the date of actual payment thereof.

(c) The above indemnities shall constitute separate and independent obligations of the Guarantor from its obligations hereunder, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or the filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Guarantor for a liquidated sum or sums in respect of amounts due under this Amended and Restated Guaranty, or under the Indenture or the Notes or under any judgment or order.

SECTION 16. Governing Law; Jurisdiction; Waiver of Immunity, Etc.

(a) This Amended and Restated Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amended and Restated Guaranty or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding against the Issuer or the Guarantor, as the case may be, relating to this Amended and Restated Guaranty or any other Transaction Document in the courts of any jurisdiction.

(c) The Guarantor hereby irrevocably appoints and empowers the New York office of Petróleo Brasileiro S.A., located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent (the “Process Agent”) to accept and acknowledge for and on its behalf and on behalf of its property service of any and all legal process, summons, notices and documents which may be served in any such suit, action or proceedings in any New York State court or United States federal court sitting in the State of New York in the Borough of Manhattan and any appellate court from any thereof, which service may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. The Guarantor will take any and all action necessary to continue such designation in full force and effect and to advise the Trustee of any change of address of such Process Agent and; should such Process Agent become unavailable for this purpose for any reason, the Guarantor will promptly and irrevocably designate a new Process Agent within New York, New York, which will agree to act as such, with the powers and for the purposes specified in this subsection (c). The Guarantor irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by hand delivery, to it at its address set forth in Section 10 or to any other address of which it shall have given notice pursuant to Section 10 or to its Process Agent. Service upon the Guarantor or the Process Agent as provided for herein will, to the fullest extent permitted by law, constitute valid and effective personal service upon it and the failure of the Process Agent to give any notice of such service to the Guarantor shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

(d) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party in any New York State or federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(e) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY NOTEHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

(f) This Amended and Restated Guaranty and any other documents delivered pursuant hereto, and any actions taken hereunder, constitute commercial acts by the Guarantor. The Guarantor irrevocably and unconditionally and to the fullest extent permitted by law, waives, and agrees not to plead or claim, any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) for itself, the Issuer or any of their property, assets or revenues wherever located with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Amended and Restated Guaranty, any of the Transaction Documents or any document delivered pursuant hereto, in each case for the benefit of each assigns, it being intended that the foregoing waiver and agreement will be effective, irrevocable and not subject to withdrawal in any and all jurisdictions, and, without limiting the generality of the foregoing, agrees that the waivers set forth in this subsection (f) shall have the fullest scope permitted under the United States Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for the purposes of such act.

SECTION 17. Execution in Counterparts

This Amended and Restated Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amended and Restated Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Amended and Restated Guaranty.

SECTION 18. Entire Agreement

This Amended and Restated Guaranty, together with the Indenture and the Notes, sets forth the entire agreement of the parties hereto with respect to the subject matter hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Amended and Restated Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Sérvio Túlio da R. Tinoco

Name: Sérvio Túlio da R. Tinoco

Title: Chief Financial Officer

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON, as Trustee and not

in its individual capacity

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

AMENDED AND RESTATED GUARANTY

Dated as of February 10, 2012

between

PETRÓLEO BRASILEIRO S.A.—PETROBRAS,

as Guarantor,

and

THE BANK OF NEW YORK MELLON, as

Trustee for the Noteholders

Referred to Herein

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The Guaranty dated as of March 31, 2010 (the “Original Guaranty”) is hereby amended and restated in its entirety as follows:

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY (this “Amended and Restated Guaranty”), dated as of February 10, 2012, between PETRÓLEO BRASILEIRO S.A.—PETROBRAS (the “Guarantor”), a *sociedade de economia mista* organized and existing under the laws of the Federative Republic of Brazil (“Brazil”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, as trustee for the holders of the Notes (as defined below) issued pursuant to the Indenture (as defined below) (the “Trustee”).

WITNESSETH:

WHEREAS, Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a wholly-owned Subsidiary of the Guarantor (the “Issuer”), has entered into an Indenture dated as of July 19, 2002 (the “Original Indenture”) with the Trustee (as successor to JPMorgan Chase Bank, a New York banking corporation), as supplemented by the amended and restated fifth supplemental indenture, dated as of February 7, 2007, among the Issuer, the Guarantor and the Trustee (the “Reopening Supplemental Indenture”), as further supplemented by the amended and restated fifth supplemental indenture dated as of March 31, 2010, among the Issuer, the Guarantor and the Trustee (the “2010 Amended and Restated Fifth Supplemental Indenture”), and as further supplemented by the sixth supplemental indenture dated as of the date hereof, among the Issuer, the Guarantor and the Trustee (the “Sixth Supplemental Indenture”). The Original Indenture, as supplemented by the 2010 Amended and Restated Fifth Supplemental Indenture and the Sixth Supplemental Indenture and as amended or supplemented from time to time with respect to the Notes, is hereinafter referred to as the “Indenture”;

WHEREAS, the Issuer has duly authorized the issuance of its notes in such principal amount or amounts as may from time to time be authorized in accordance with the Indenture and has, as of February 7, 2007, issued an additional U.S.\$399,053,000 aggregate principal amount of its 6.125% Global Notes due 2016 (the “Reopening Notes”) under the Original Indenture as supplemented by the Reopening Supplemental Indenture (the “Reopening Indenture”). The Reopening Notes are consolidated, form a single series and are fully fungible with the Company’s outstanding 6.125% Global Notes due 2016 originally issued on October 6, 2006 under the Original Indenture as supplemented by the fifth supplemental indenture, dated as of October 6, 2006, by and among the Issuer, the Guarantor and the Trustee (the “Fifth Supplemental Indenture”), in the aggregate principal amount of U.S.\$500,000,000 (the “Original Notes” and, together with the Reopening Notes, the “Notes”);

WHEREAS, the Guarantor, in its capacity as the Standby Purchaser (the “Standby Purchaser”), had entered into the Amended and Restated Standby Purchase Agreement (the “Amended and Restated Standby Purchase Agreement”) on February 7, 2007 in order to provide the holders of the Notes (the “Noteholders”) with assurances that, if the Issuer shall fail to make all required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Standby Purchaser would be obligated, without any action on the part of the Noteholders, to immediately purchase the rights of the Noteholders to receive such amounts in consideration of the payment by the Standby Purchaser of an amount of funds equal to the amounts then owed by the Issuer under the Indenture and the Notes, subject to the provisions thereof;

WHEREAS, the Guarantor replaced the Amended and Restated Standby Purchase Agreement with the Original Guaranty on March 31, 2010 in order to provide the Noteholders with an irrevocable and unconditional guaranty that, if the Issuer shall fail to make any required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Guarantor will pay any such amounts whether at stated maturity, or earlier or later by acceleration or otherwise;

WHEREAS, the Guarantor wishes to amend the Original Guaranty to replace the term “U.S. GAAP” by “Reporting GAAP” in certain sections hereof;

WHEREAS, the Guarantor agrees that it has and will derive substantial direct and indirect benefits from the issuance of the Notes by the Issuer;

WHEREAS, each of the parties hereto is entering into this Amended and Restated Guaranty for the benefit of the other party and for the equal and ratable benefit of the Noteholders;

WHEREAS, Section 9 of the Original Guaranty and Section 9.01 of the Indenture provide that the Trustee and the Guarantor may enter into amendments to the Original Guaranty and the Indenture provided that such action does not adversely affect the interests of the Noteholders in any material respect.

NOW, THEREFORE, the Guarantor and the Trustee hereby agree as follows:

SECTION 1. Definitions

(a) All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented. All such definitions shall be read in a manner consistent with the terms of this Amended and Restated Guaranty.

(b) As used herein, the following capitalized terms shall have the following meanings:

“Affiliate,” with respect to any Person, means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; it being understood that for purposes of this definition, the term “*control*” (including the terms “*controlling*,” “*controlled by*” and “*under common control with*”) of a Person shall mean the possession, direct or indirect, of the power to vote 25% or more of the equity or similar voting interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Authorized Representative” of the Guarantor or any other Person means the person or persons authorized to act on behalf of such entity by its chief executive officer, president, chief operating officer, chief financial officer or any vice president or its Board of Directors or any other governing body of such entity.

“Base Prospectus” has the meaning set forth in the definition of Registration Statement herein.

“Board of Directors”, when used with respect to a corporation, means either the board of directors of such corporation or any committee of that board duly authorized to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorized by the organizational documents or by the voting equity owners of such entity to act for them .

“Closing Date” means February 7, 2007.

“Companies” has the meaning specified in Section 7(a).

“Dealer Managers” means Morgan Stanley & Co. Incorporated and UBS Securities LLC, acting as such under the Dealer Manager Agreement.

“Dealer Manager Agreement” has the meaning specified in Section 7(b).

“Denomination Currency” has the meaning specified in Section 15(b).

“Exchange Prospectus” has the meaning specified in Section 7(e).

“Exchange Registration Statement” means the registration statement on Form F-4 under the Securities Act, initially dated November 1, 2006 and as amended on December 18, 2006, filed with the SEC (File No. 333-138345).

“Final Offering Document” has the meaning specified in Section 7(d).

“Guaranteed Obligations” has the meaning specified in Section 2.

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

“Indemnified Party” has the meaning specified in Section 10(a).

“Judgment Currency” has the meaning specified in Section 15(b).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, assets, property, condition (financial or otherwise) or, results of operation, of the Guarantor together with its consolidated Subsidiaries, taken as a whole, (b) the validity or enforceability of this Amended and Restated Guaranty or any other Transaction Document or (c) the ability of the Guarantor to perform its obligations under this Amended and Restated Guaranty or any other Transaction Document, or (d) the material rights or benefits available to the Noteholders or the Trustee, as representative of the Noteholders under the Indenture, this Amended and Restated Guaranty or any of the other Transaction Documents.

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 15% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Officer’s Certificate” means a certificate of an Authorized Representative of the Guarantor.

“Opinion of Counsel” means a written opinion of counsel from any Person either expressly referred to herein or otherwise reasonably satisfactory to the Trustee which may include, without limitation, counsel for the Guarantor, whether or not such counsel is an employee of the Guarantor.

“Original Closing Date” means October 6, 2006.

“Permitted Free Writing Prospectus” has the meaning set forth in the preamble to the Underwriting Agreement among the Companies, Morgan Stanley & Co. Incorporated and UBS Securities LLC, dated September 29, 2006 related to the offering of the Original Notes.

“Permitted Lien” means a:

(i) Lien granted in respect of Indebtedness owed to the Brazilian government, *Banco Nacional de Desenvolvimento Econômico e Social* or any official government agency or department of Brazil or of any state or region thereof;

(ii) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Guarantor’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;

(iii) Lien arising from the Guarantor’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Guarantor’s past practice;

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

(v) Lien granted upon or with respect to any assets hereafter acquired by the Guarantor or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets;

(vi) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Guarantor or another Wholly-Owned Subsidiary;

(vii) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Guarantor or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(viii) Lien over any Qualifying Asset relating to a project financed by, and securing Indebtedness incurred in connection with, the Project Financing of such project by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

(ix) Lien existing as of the date of the Indenture;

(x) Lien resulting from the Transaction Documents;

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

(xii) 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 a Lien referred to in paragraphs (i) through (xi) above (but not paragraph (iv)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (i), (ii), (iii) and (vii), the obligees meet the requirements of such paragraphs and in the case of paragraph (viii), the Indebtedness is incurred in connection with a Project Financing by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary have any ownership or other similar interests; and

(xiii) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Guarantor's Permitted Liens pursuant to clauses (i) through (xii) of this definition, does not exceed 15% of the Guarantor's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Guarantor's balance sheet is prepared and published in accordance with applicable Law.

"Person" means any individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"Pre-Pricing Prospectus" means each preliminary prospectus supplement, in the form so furnished to the Underwriters, including the Base Prospectus, and the documents incorporated by reference therein.

"Process Agent" has the meaning specified in Section 16(c).

"Project Financing" of any project means the incurrence of Indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such Indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more Qualifying Assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such Indebtedness.

"Prospectus Supplement" has the meaning specified in Section 7(d).

"Qualifying Asset" in relation to any Project Financing means:

- (i) any concession, authorization or other legal right granted by any Governmental Authority to the Guarantor or any of the Guarantor's Subsidiaries, or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;
- (ii) any drilling or other rig, any drilling or production platform, pipeline, marine vessel, vehicle or other equipment or any refinery, oil or gas field, processing plant, real property (whether leased or owned), right of way or plant or other fixtures or equipment;

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

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

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

“Registration Statement” means the registration statement on Form F-3 under the Securities Act, initially dated August 30, 2004 and as amended on September 7, 2004 and further amended on November 8, 2004 and July 15, 2005, filed with the SEC (File No. 333-118644) covering the registration of the Notes under the Securities Act and including the related base prospectus in the form dated July 15, 2005 (the “Base Prospectus”) at the time such registration statement was declared effective by the SEC, as amended to the date hereof (including any post-effective amendment that includes a prospectus or prospectus supplement), together with any documents incorporated by reference therein. “SEC” means the United States Securities and Exchange Commission.

“Reopening Offering Document” has the meaning specified in Section 7(e).

“Reopening Transaction Documents” means, collectively, the Reopening Indenture, the Notes and the Amended and Restated Standby Purchase Agreement.

“Reporting GAAP” means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) as from the date the Guarantor adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Successor Company” has the meaning specified in Section 8(g)(A).

“Termination Date” has the meaning specified in Section 6.

“TIA” means the United States Trust Indenture Act of 1939, as amended.

“Transaction Documents” means, collectively, the Indenture, the Notes and this Amended and Restated Guaranty.

“Underwriters” means Morgan Stanley & Co. Incorporated and UBS Securities LLC, acting as such under the Underwriting Agreement. “Underwriting Agreement” has the meaning specified in Section 7(a).

“U.S. GAAP” means generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

(c) Construction. The parties agree that items (1) through (5) of Section 1.01 of the Indenture shall apply to this Amended and Restated Guaranty, except as otherwise expressly provided or unless the context otherwise requires.

SECTION 2. Guaranty.

(a) The Guarantor hereby unconditionally and irrevocably guarantees the full and punctual payment when due, as a guaranty of payment and not of collection, whether at the Stated Maturity, or earlier or later by acceleration or otherwise, of all obligations of the Issuer now or hereafter existing under the Indenture and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses or otherwise (such obligations being the “Guaranteed Obligations”), and the Guarantor agrees to pay any and all expenses (including reasonable and documented counsel fees and expenses) incurred by the Trustee or any Noteholder in enforcing any rights under this Amended and Restated Guaranty with respect to such Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor’s liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Issuer to the Trustee or any Noteholder under the Indenture and the Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization or similar proceeding involving the Issuer.

(b) In the event that the Issuer does not make payments to the Trustee of all or any portion of the Guaranteed Obligations, upon receipt of notice of such non-payment by the Trustee, the Guarantor will make immediate payment to the Trustee of any such amount or portion of the Guaranteed Obligations owing or payable under the Indenture and the Notes. Such notice shall specify the amount or amounts under the Indenture and the Notes that were not paid on the date that such amounts were required to be paid under the terms of the Indenture and the Notes.

(c) The obligation of the Guarantor under this Amended and Restated Guaranty shall be absolute and unconditional upon receipt by it of the notice contemplated herein absent manifest error. The Guarantor shall not be relieved of its obligations hereunder unless and until the Trustee shall have indefeasibly received all amounts required to be paid by the Guarantor hereunder (and any Event of Default under the Indenture has been cured, it being understood that the Guarantor's obligations hereunder shall terminate following payment by the Issuer and/or the Guarantor of the entire principal, all accrued interest and all other amounts due and owing in respect of the Notes and the Indenture. All amounts payable by the Guarantor hereunder shall be payable in U.S. dollars and in immediately available funds to the Trustee.

All payments actually received by the Trustee pursuant to this Section 2 after 1:00 p.m. (New York time) on any Business Day will be deemed, for purposes of this Amended and Restated Guaranty, to have been received by the Trustee on the next succeeding Business Day.

SECTION 3. Guaranty Absolute

(a) The Guarantor's obligations under this Amended and Restated Guaranty are absolute and unconditional regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Noteholder under its Notes or the Indenture. The obligations of the Guarantor under or in respect of this Amended and Restated Guaranty are independent of the Guaranteed Obligations or any other obligations of the Issuer, the Issuer's Subsidiaries or the Guarantor's Subsidiaries under or in respect of the Indenture and the Notes or any other document or agreement, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Amended and Restated Guaranty, irrespective of whether any action is brought against the Issuer or whether the Issuer is joined in any such action or actions. The liability of the Guarantor under this Amended and Restated Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

- (i) any lack of validity or enforceability of any of the Transaction Documents;
- (ii) any provision of applicable Law or regulation purporting to prohibit the payment by the Issuer of any amount payable by it under the Indenture and the Notes;
- (iii) any provision of applicable Law or regulation purporting to prohibit the payment by the Guarantor of any amount payable by it under this Amended and Restated Guaranty;
- (iv) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other person or entity under or in respect of the Transaction Documents, or any other amendment or waiver of or any consent to departure from any Transaction Document, including, without limitation, any increase in the obligations of the Issuer under the Indenture and the Notes as a result of further issuances, any rescheduling of the Issuer's obligations under the Notes of the Indenture or otherwise;

(v) any taking, release or amendment or waiver of, or consent to departure from, any other guaranty or agreement similar in function to this Amended and Restated Guaranty, for all or any of the obligations of the Issuer under the Indenture or the Notes;

(vi) any manner of sale or other disposition of any assets of any Noteholder;

(vii) any change, restructuring or termination of the corporate structure or existence of the Issuer or the Guarantor or any Subsidiary thereof or any change in the name, purposes, business, capital stock (including ownership thereof) or constitutive documents of the Issuer or the Guarantor;

(viii) any failure of the Trustee to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer or any of its Subsidiaries (the Guarantor hereby waiving any duty on the part of the Trustee or any Noteholders to disclose such information);

(ix) the failure of any other person or entity to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Indenture;

(x) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Trustee or any Noteholder that might otherwise constitute a defense available to, or a discharge of, the Issuer or the Guarantor or any other party; or

(xi) any claim of set-off or other right which the Guarantor may have at any time against the Issuer or the Trustee, whether in connection with this transaction or with any unrelated transaction.

(b) This Amended and Restated Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Noteholder or any other person or entity upon the insolvency, bankruptcy or reorganization of the Issuer or the Guarantor or otherwise, all as though such payment had not been made.

SECTION 4. Independent Obligation

The obligations of the Guarantor hereunder are independent of the Issuer's obligations under the Notes and the Indenture. The Trustee, on behalf of the Noteholders, may neglect or forbear to enforce payment under the Indenture and the Notes, without in any way affecting or impairing the liability of the Guarantor hereunder. The Trustee shall not be obligated to exhaust recourse or remedies against the Issuer to recover payments required to be made under the Indenture nor take any other action against the Issuer before being entitled to payment from the Guarantor of all amounts contemplated in Section 2 hereof owed hereunder or proceed against or have resort to any balance of any deposit account or credit on the books of the Trustee in favor of the Issuer or in favor of the Guarantor. Without limiting the generality of the foregoing, the Trustee shall have the right to bring a suit directly against the Guarantor, either prior or subsequent to or concurrently with any lawsuit against, or without bringing suit against, the Issuer.

SECTION 5. Waivers and Acknowledgments

(a) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Amended and Restated Guaranty and any requirement that the Trustee, on behalf of the Noteholders, protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person.

(b) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Amended and Restated Guaranty and acknowledges that this Amended and Restated Guaranty is continuing in nature and applies to the Guaranteed Obligations, whether the same are existing now or in the future.

(c) The Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Noteholder or the Trustee on behalf of the Noteholders that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Guarantor or other rights of the Guarantor to proceed against the Issuer or any other person or entity and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Guaranteed Obligations of the Guarantor hereunder.

(d) The Guarantor hereby unconditionally and irrevocably waives any duty on the part of the Trustee or any Noteholder to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer now or hereafter known by the Trustee or any Noteholder, as applicable.

(e) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Transaction Documents and that the waivers set forth in this Section 5 are knowingly made in contemplation of such benefits.

(f) The recitals contained in this Amended and Restated Guaranty shall be taken as the statements of the Issuer and the Guarantor, as applicable, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Amended and Restated Guaranty, of any offering materials, the Indenture or of the Notes.

(g) The Guarantor unconditionally and irrevocably waives, to the fullest extent permitted under Brazilian law, any benefit it may be entitled to under Articles 827, 834, 835, 838 and 839 of the Brazilian Civil Code, and under Article 595, caput, of the Brazilian Civil Procedure Code.

SECTION 6. Claims Against the Issuer

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Issuer or any other guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under or in respect of this Amended and Restated Guaranty or any other Transaction Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, or to participate in any claim or remedy of the Trustee, on behalf of the Noteholders, against the Issuer or any other person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or any other person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty and (b) the date on which all of the obligations of the Issuer under the Indenture and the Notes have been discharged in full (the later of such dates being the "Termination Date"), such amount shall be paid over to and received and held by the Trustee in trust for the benefit of the Noteholders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Trustee in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, whether matured or unmatured, in accordance with the terms of the Indenture. If (i) the Guarantor shall make payment to any Noteholder or the Trustee, on behalf of the Noteholders, of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash and (iii) the Termination Date shall have occurred, then the Trustee, on behalf of the Noteholders, will, at the Guarantor's written request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by the Guarantor pursuant to this Amended and Restated Guaranty.

SECTION 7. Representations and Warranties

The Guarantor made the following representations and warranties to the Trustee on behalf of the Noteholders as of the date of the Amended and Restated Standby Purchase Agreement, all of which shall survive the execution and delivery of this Amended and Restated Guaranty:

(a) The Issuer and the Standby Purchaser (collectively, the “Companies”) and the transactions contemplated in the Underwriting Agreement dated as of September 29, 2006 among the Standby Purchaser, the Issuer and the Underwriters (the “Underwriting Agreement”) in connection with the offer and sale of the Original Notes meet the requirements set forth in Form F-3 under the Securities Act for use of the Registration Statement in connection with the offering of the Original Notes that are the subject of the Amended and Restated Standby Purchase Agreement.

(b) The Companies and the transactions contemplated in the Dealer Manager Agreement dated as of January 4, 2007 among the Standby Purchaser and the Dealer Managers (the “Dealer Manager Agreement”) in connection with Reopening Notes meet the requirements set forth in Form F-4 under the Securities Act for use of the Exchange Registration Statement in connection with the offering of the Reopening Notes that are the subject of the Amended and Restated Standby Purchase Agreement.

(c) The Standby Purchaser and the Issuer have filed the Registration Statement and the Exchange Registration Statement with the SEC, each of the Registration Statement and the Exchange Registration Statement has been declared effective under the Securities Act, no stop order suspending the use of any Base Prospectus, any Pre-Pricing Prospectus, the Prospectus Supplement, the Final Offering Document, the Exchange Prospectus or any Permitted Free Writing Prospectus, or the effectiveness of the Registration Statement or the Exchange Registration Statement has been issued, and no proceedings for such purposes have been instituted or, to the best of the Companies’ knowledge, threatened by the SEC.

(d) The Standby Purchaser and the Issuer filed with the SEC on October 2, 2006 pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Base Prospectus (the “Prospectus Supplement”) dated September 29, 2006 relating to the Original Notes and the distribution thereof. The Base Prospectus as supplemented by the Prospectus Supplement in the form in which it was filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Final Offering Document.”

(e) The Standby Purchaser and the Issuer have filed with the SEC on January 4, 2007 pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Exchange Prospectus (the “Exchange Prospectus”) dated January 4, 2007, relating to the Reopening Notes. The Exchange Prospectus in the form in which it was filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Reopening Offering Document.”

(f) Each of the Companies has filed all the documents required to be filed by it with the SEC pursuant to the Exchange Act, including but not limited to the annual reports on Form 20-F for the year ended December 31, 2005 and Forms 6-K in connection with their respective financial statements for the three months ended March 31, 2006, for the six months ended June 30, 2006 and for the nine months ended September 30, 2006. Each document filed or to be filed by the Companies under the Exchange Act complied and will comply when so filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC and the documents incorporated or deemed to be incorporated by reference in the Registration Statement, the Exchange Registration Statement, the Final Offering Document and the Reopening Offering Document, at the time they were or hereafter are filed with the SEC, complied and will comply in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder.

(g) The Original Indenture, the Reopening Supplemental Indenture and the Amended and Restated Standby Purchase Agreement have been qualified under the TIA, and all filings and other actions required under the TIA to permit the use of the Reopening Indenture, the issuance of the Notes thereunder and the execution by the Standby Purchaser and the Trustee of the Amended and Restated Standby Purchase Agreement have been made and taken prior to the date of the Amended and Restated Standby Purchase Agreement.

(h) Prior to the termination of the offering of the Notes, neither the Standby Purchaser nor the Issuer has filed any amendment to the Registration Statement or the Exchange Registration Statement or supplement to the Final Offering Document or to the Reopening Offering Document which shall not have previously been furnished to the Underwriters and the Dealer Managers or of which the Underwriters and the Dealer Managers shall not previously have been advised or to which the Underwriters or the Dealer Managers shall have reasonably objected in writing.

(i) Each of the Registration Statement, as amended, as of the time it became effective under the Securities Act, and the Final Offering Document as amended or supplemented as of the date thereof and as of the Original Closing Date, contained all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. Each of the Exchange Registration Statement, as amended, as of the time it became effective under the Securities Act, and the Reopening Offering Document as amended or supplemented as of the date of the Amended and Restated Standby Purchase Agreement, contains all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. Neither (i) the Registration Statement, as amended, as of the time it became effective under the Securities Act nor (ii) the Final Offering Document as amended or supplemented as of the Original Closing Date, contains or will contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Neither (i) the Exchange Registration Statement, as amended, as of the time it became effective under the Securities Act, nor (ii) the Reopening Offering Document as amended and supplemented as of the date of the Amended and Restated Standby Purchase Agreement, contains or will contain any untrue statement of material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Standby Purchaser does not make any representation or warranty as to the information contained in or omitted from (i) the Registration Statement or the Final Offering Document in reliance upon and in conformity with information furnished in writing to the Standby Purchaser and the Issuer by any Underwriter, specifically for inclusion therein, which shall consist solely of the first and sixth paragraphs under the captions “Plan of Distribution” in the Prospectus Supplement and the first and sixth paragraphs under the captions “Plan of Distribution” in the Final Offering Document and (ii) the Exchange Registration Statement or the Reopening Offering Document in reliance upon and in conformity with information furnished in writing to the Standby Purchaser and the Issuer by any Dealer Manager, specifically for inclusion therein.

(j) Neither the Issuer nor the Standby Purchaser is an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder. After giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Registration Statement, the Final Offering Document, the Exchange Registration Statement and the Reopening Offering Document neither the Issuer nor the Standby Purchaser will be an “investment company” or a company “controlled by” an “investment company” as such terms are defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

(k) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has paid or agreed to pay to any person any compensation for soliciting another to purchase (i) the Notes or (ii) any other securities of the Standby Purchaser or the Issuer within the last 90 days, except in the case of either (i) or (ii) as contemplated by the Underwriting Agreement.

(l) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has, directly or indirectly, taken any action designed to cause or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Standby Purchaser or the Issuer to facilitate the initial sale or resale of the Notes under the Exchange Act, or otherwise.

(m) The Standby Purchaser has been duly organized and is validly existing as a sociedade de economia mista (mixed-capital company) in good standing (to the extent that good standing is applicable under applicable Law) under the Laws of Brazil. Each of the Standby Purchaser's Significant Subsidiaries (as defined in Rule 12b-2 under the Exchange Act) has been duly incorporated and is validly existing as a corporation in good standing (to the extent required by law) under the Laws of the jurisdiction in which it is chartered or organized. Each of the Standby Purchaser and its Significant Subsidiaries is licensed (if and to the extent required by law) and has the full corporate power and authority to own or lease, as the case may be, and to operate its properties and to conduct its business as described in the Registration Statement, the Exchange Registration Statement, the Final Offering Document and the Reopening Offering Document, and to enter into and perform its obligations under the Amended and Restated Standby Purchase Agreement and the other Reopening Transaction Documents to which it is a party, and is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction which requires such qualification, except, in the case of its Significant Subsidiaries other than the Issuer, where the failure to be so qualified will not have a Material Adverse Effect. The Standby Purchaser owns, directly or indirectly, all of the outstanding equity interests of the Issuer and its other Significant Subsidiaries.

(n) All the outstanding shares of capital stock, if any, of each Subsidiary of the Standby Purchaser have been duly and validly authorized and issued and are fully paid and non-assessable except, in the case of the Subsidiaries (other than the Issuer), as would not have a Material Adverse Effect, and all outstanding shares of capital stock of the Subsidiaries are owned by the Companies, as the case may be, either directly or through wholly owned Subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(o) The Standby Purchaser's capitalization as of the Original Closing Date is as set forth in the Final Offering Document. The Standby Purchaser's capitalization as of the Closing Date is as set forth in the Reopening Offering Document.

(p) There have been no material changes with respect to the matters disclosed in "Item 11. Qualitative and Quantitative Disclosure About Market Risk" in the Form 20-F of the Standby Purchaser for the year ended December 31, 2005, except as otherwise specified in the Final Offering Document and the Reopening Offering Document.

(q) The Amended and Restated Standby Purchase Agreement has been duly authorized, executed and delivered by the Standby Purchaser; each of the Amended and Restated Standby Purchase Agreement, the Reopening Supplemental Indenture and each other document executed and delivered in connection therewith to which the Standby Purchaser is party has been duly authorized and, assuming due authorization, execution and delivery thereof by each other party to those Reopening Transaction Documents (other than the Standby Purchaser), when executed and delivered by the Standby Purchaser, will constitute a legal, valid and binding agreement of the Standby Purchaser, enforceable against the Standby Purchaser in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the descriptions of the Reopening Transaction Documents in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document fairly summarize the rights and obligations of the parties thereto.

(r) The Notes have been duly authorized, and, when issued under the Reopening Indenture, authenticated by the Trustee and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will have been duly executed, issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity and will be entitled to the benefits provided by the Reopening Indenture as described in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document.

(s) The Notes will constitute the general unsecured and unsubordinated obligations of the Issuer and will rank pari passu in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Issuer that are not, by their terms, expressly subordinated in right of payment to the Notes, except for statutory liens and preferences. The obligations of the Standby Purchaser under the Amended and Restated Standby Purchase Agreement will constitute the general unsecured and unsubordinated obligations of the Standby Purchaser and will rank pari passu in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Standby Purchaser that are not, by their terms, expressly subordinated in right of payment to the rights of the Trustee, except for statutory liens and preferences.

(t) No consent, approval, authorization, filing with or order of any Governmental Authority is required for (i) the valid authorization, issuance, sale and delivery of the Notes or (ii) the execution, delivery or performance by the Issuer and the Standby Purchaser of any of their respective obligations under any of the Reopening Transaction Documents in the manner contemplated in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document including, without limitation, making any of the applicable payments required to be made after the date of the Amended and Restated Standby Purchase Agreement under or in respect of any of the Reopening Transaction Documents, except for (i) the filing of the Prospectus Supplement and the Reopening Exchange Prospectus, in each case, pursuant to Rule 424(b) under the Securities Act, which has been effected prior to the date of the Amended and Restated Standby Purchase Agreement, (ii) such consents as may be required under state or foreign securities or blue sky laws and (iii) such filings or consents as may be required by the by-laws and rules of the National Association of Securities Dealers, Inc. or NASD Regulation, Inc. in connection with the use of the Base Prospectus for issuances of securities by the Standby Purchaser and the Issuer and the purchase and distribution of the Notes by the Underwriters and the confirmation by the National Association of Securities Dealers, Inc. that it has no objection with respect to the fairness and reasonableness of the underwriting terms and arrangements, each of which has, to the best of the Companies' knowledge been obtained and is in full force and effect.

(u) Neither of the Issuer nor the Standby Purchaser is currently in violation of its charter, by-laws or comparable organizational documents; neither the issuance and sale of the Notes, the execution and delivery of any of the Reopening Transaction Documents nor the consummation of any of the transactions described or contemplated therein, nor the fulfillment of the terms thereof will conflict with, or give rise to any right to accelerate the maturity or require the prepayment, repurchase or redemption of any indebtedness under, or result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Companies or any of their Material Subsidiaries pursuant to, (i) the charter, by-laws or comparable organizational documents of either of the Issuer or the Standby Purchaser or any of their Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Issuer or the Standby Purchaser or any of their Subsidiaries is a party or is bound or to which any of their property or assets is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Issuer or the Standby Purchaser or any of their Subsidiaries, except in the case of clauses (ii) or (iii) such as could not reasonably be expected to have a Material Adverse Effect.

(v) The consolidated historical financial statements of the Issuer and the Standby Purchaser and their consolidated Subsidiaries included in the Final Offering Document and the Reopening Offering Document, together with the related notes, have been prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods involved (except as otherwise noted therein) and present fairly in all material respects the financial condition, results of operations and cash flows of the Issuer and the Standby Purchaser as of the dates and for the periods indicated; the summary financial information set forth under the captions “Summary Financial Information for PIFCo,” and “Summary Financial Information for Petrobras” in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document fairly present, on the basis stated in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, the information included therein. Except as disclosed in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, there has been no material adverse change in the condition (financial or otherwise) prospects, earnings, business, or properties of either of the Issuer or the Standby Purchaser and their consolidated Subsidiaries, taken as a whole, since December 31, 2005. The segment data and other financial and statistical information incorporated by reference in the Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are incorporated by reference in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, and the books and records of the respective entities presented therein.

(w) There are no pro forma or consolidated financial statements or other financial statements or data which are required to be included or incorporated by reference in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document or the Reopening Offering Document in accordance with Regulation S-X under the Securities Act which have not been included as so required.

(x) The statistical, industry-related and market-related data included in the Pre-Pricing Prospectus and the Final Offering Document or the Reopening Offering Document are based on or derived from sources which the Standby Purchaser and the Issuer reasonably and in good faith believe are reliable and accurate, and such data agree with the sources from which they are derived.

(y) Except as set forth or contemplated in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, neither of the Issuer or the Standby Purchaser has entered into any transaction or agreement (whether or not in the ordinary course of business) material to either of the Issuer or the Standby Purchaser individually or the Issuer and the Standby Purchaser taken as a whole with their consolidated Subsidiaries.

(z) No action, suit or proceeding by or before any Governmental Authority involving the Issuer or the Standby Purchaser or any of their Subsidiaries or their property or assets is pending or, to the best knowledge of the Standby Purchaser, threatened, involving or in any way relating to (i) the Amended and Restated Standby Purchase Agreement, any of the other Reopening Transaction Documents or the transactions contemplated therein or (ii) any other matter that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document. Neither the Issuer, the Standby Purchaser nor any of their Subsidiaries is in violation of or in default with respect to any applicable statute (including, without limitation, any applicable provision of the Sarbanes-Oxley Act, including any rules and regulations thereunder or related thereto), rule, writ, injunction, decree, order or regulation of any Governmental Authority having jurisdiction over such Person which is reasonably likely to have a Material Adverse Effect.

(aa) Each of the Issuer and the Standby Purchaser and each of their respective Subsidiaries has good and marketable title to all of their properties and assets and owns or leases all such properties and assets as are both described in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, and necessary to the conduct of its operations as presently conducted free and clear of any liens, charges, security interests or other encumbrances except such as (i) do not materially interfere with the intended use thereof and (ii) could not reasonably be expected to have a Material Adverse Effect. All leases and subleases material to the business of each of the Companies under which either of the Issuer and the Standby Purchaser holds properties, as described in the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document are in full force and effect; and neither the Standby Purchaser nor the Issuer has had any notice that any material claim of any sort has been asserted by anyone adverse to the Standby Purchaser's or the Issuer's rights under any leases or subleases mentioned above, or affecting or questioning the rights thereof to the continued possession of the leased or subleased premises under any such lease or sublease, except as would not result in a Material Adverse Effect.

(bb) Each of KPMG Auditores Independentes and Ernst & Young Auditores Independentes (who have certified the financial statements of the Issuer and the Standby Purchaser and supporting schedules and information of Standby Purchaser and the Issuer and their consolidated Subsidiaries and delivered their report with respect to the audited and unaudited consolidated financial statements and other financial information included in the Final Offering Document and in the Reopening Offering Document relating to the Issuer and the Standby Purchaser and their consolidated Subsidiaries) are independent public accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the applicable requirements of Regulation S-X under the Securities Act and the Exchange Act and are certified public accountants with respect to the Standby Purchaser and the Issuer under the standards established by the local authorities in the Cayman Islands and Brazil.

(cc) Each of the Issuer and the Standby Purchaser and their respective Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the Issuer and the Standby Purchaser are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against such person or any of its respective properties and all other taxes, assessments, fees or other charges imposed on such person or any of its respective properties by, any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles have been provided on the books of such person); and no material tax liens or material liens with respect to any assessments, fees or other charges have been filed and, to the knowledge of such person, no material claims are being asserted with respect to any such taxes, assessments, fees or other charges.

(dd) The Issuer and the Standby Purchaser and each of their respective Subsidiaries are insured by insurers that the Issuer and the Standby Purchaser reasonably believe to be financially sound against such losses and risks and in such amounts as are prudent and customary in the businesses and in the geographical regions in which they are engaged except when the failure to do so would not have a Material Adverse Effect; and neither of the Issuer or the Standby Purchaser nor any Subsidiary thereof has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(ee) No Subsidiary of the Issuer or the Standby Purchaser is currently prohibited, directly or indirectly, from paying any dividends to either of the Issuer or the Standby Purchaser, from making any other distribution on such Subsidiary's capital stock, from repaying to the Issuer or the Standby Purchaser any loans or advances to such Subsidiary from the Issuer or the Standby Purchaser or from transferring any of such Subsidiary's property or assets to the Issuer or the Standby Purchaser or any other Subsidiary of the Issuer or the Standby Purchaser.

(ff) The Issuer and the Standby Purchaser and their Subsidiaries possess all material licenses, certificates, permits and other authorizations issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could have a Material Adverse Effect.

(gg) To ensure the legality, validity, enforceability or admissibility into evidence of any of the Reopening Transaction Documents, it is not necessary that any such other document be filed or recorded with any court or other authority in Brazil or the Cayman Islands (other than such authorizations or filings that have already been obtained or made, as applicable), or that any stamp or similar tax be paid in either Brazil or the Cayman Islands on or in respect of any such document, except as provided in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document. It is not necessary under the laws of Brazil or the Cayman Islands that any of the holders of the Notes, be licensed, qualified or entitled to carry on business in either Brazil or the Cayman Islands by reason of the execution, delivery, performance or enforcement of any of the Reopening Transaction Documents.

(hh) The Issuer and the Standby Purchaser and each of their respective Subsidiaries each maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(ii) The Issuer and the Standby Purchaser and their respective Subsidiaries (i) are in compliance with any and all applicable Environmental Laws, (ii) have received and are in compliance with all permits, licenses or other approvals required of them under the applicable Environmental Laws to conduct their respective businesses and (iii) except as described in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except in the case of clauses (i), (ii) and (iii) above where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in the Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, neither of the Issuer and the Standby Purchaser nor any of their Subsidiaries has been named as a "potentially responsible party" under the United States Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, nor has the Issuer or any such Subsidiary been identified as the party responsible or potentially responsible for any breach or violation of any other similar Environmental Law.

(jj) In the ordinary course of its business, the Issuer and the Standby Purchaser periodically review the effect of Environmental Laws on the business, operations and properties of the Issuer and the Standby Purchaser and their Subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Issuer and the Standby Purchaser have reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect.

(kk) The information set forth in the Registration Statement, the Exchange Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document relating to oil and gas reserves, oil and gas wells and any other oil and gas related information required to be disclosed in such Registration Statement, the Exchange Registration Statement, Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, has been prepared by the Issuer and the Standby Purchaser in all material respects on the basis disclosed in the Registration Statement, the Pre-Pricing Prospectus, the Final Offering Document and the Reopening Offering Document, and conforms in all material respects to the requirements of the Securities Act and the Exchange Act, as the case may be.

(ll) The indemnification and contribution provisions set forth in Section 14 of the Amended and Restated Standby Purchase Agreement do not contravene Brazilian or Cayman Islands law or public policy.

(mm) The Issuer and the Standby Purchaser are subject to civil and commercial law in respect of their obligations under the Amended and Restated Standby Purchase Agreement and the Issuer and the Standby Purchaser are not, nor are any of their properties, assets or revenues subject to any right of immunity under Cayman Islands, Brazilian or New York law, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from set-off or counterclaim, from the jurisdiction of any Cayman Islands, Brazilian, New York or United States federal court, from service of process, attachment upon or prior to judgment, or attachment in aid of execution of judgment, or from execution of a judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of a judgment, in any such court with respect to its obligations, liabilities or any other matter under or arising out of or in connection therewith; and, to the extent that the Issuer and the Standby Purchaser or any of their properties, assets or revenues may have or may thereafter become entitled to any such right of immunity in any such court in which proceedings arising out of, or relating to the transactions contemplated thereby, may at any time be commenced, the Companies have waived or will waive such right to the extent permitted by law and have consented to such relief and enforcement as provided therein.

(nn) The submission of the Issuer and the Standby Purchaser to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York, County of New York, and the United States District Court for the Southern District of New York (each, a “New York court”) in Section 18 of the Amended and Restated Standby Purchase Agreement, in the case of the Standby Purchaser, and, as applicable, under each of the Reopening Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; the appointment of the Standby Purchaser’s New York Branch located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent for the purpose described in Section 18 of the Amended and Restated Standby Purchase Agreement and under each of the other Reopening Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; and the choice of law provision set forth in Section 18 of the Amended and Restated Standby Purchase Agreement and in each Reopening Transaction Document is legal, valid and binding under the laws of Brazil and the Cayman Islands. Any final judgment of a New York court in respect of any amount payable by the Issuer and the Standby Purchaser under any Reopening Transaction Document and which conforms with Brazilian or Cayman Island, as applicable, law, rule, regulation or public policy and with the provisions for enforcement of foreign judgments set forth in the Final Memorandum be enforceable in the courts of Brazil and the Cayman Islands without reexamination of the merits.

(oo) Any final judgment for a fixed or readily calculable sum of money rendered by any court of the State of New York or of the United States located in the State of New York having jurisdiction under its own domestic laws in respect of any suit, action or proceeding against the Issuer and the Standby Purchaser based upon the Amended and Restated Standby Purchase Agreement would be declared enforceable against the Issuer and the Standby Purchaser by the courts of the Cayman Islands or Brazil, as applicable, without re-examination, review of the merits of the cause of action in respect of which the original judgment was given or relitigation of the matters adjudicated upon or payment of any stamp, registration or similar tax or duty, as provided in the provisions for enforcement of foreign judgments set forth in the Final Offering Document and the Reopening Offering Document.

(pp) No part of the proceeds of the sale of the Notes will be used for any purpose that violates the provisions of any of Regulation T, U or X of the Board of Governors of the Federal Reserve System or any other regulation of such Board of Governors.

(qq) Both presently and immediately after giving effect to the transactions contemplated by the Amended and Restated Standby Purchase Agreement, in the Final Offering Document and in the Reopening Offering Document, each of the Issuer and the Standby Purchaser (i) is and will be able to pay its debts as they become due and (ii) is not insolvent as defined under applicable Brazilian bankruptcy, insolvency or similar law or Cayman Islands bankruptcy, insolvency or similar law.

(rr) None of the Noteholders, the Underwriters or the Trustee will be deemed resident, domiciled, carrying on business or subject to taxation in Brazil or the Cayman Islands solely by the execution, delivery, performance or enforcement of any of the Reopening Transaction Documents or by virtue of the ownership or transfer of a Note or the receipt of payment thereon assuming that none of such persons is a resident of Brazil or the Cayman Islands or has a permanent establishment or a fixed base in Brazil or the Cayman Islands.

(ss) No Default or Event of Default (as defined in the Reopening Indenture) has occurred and is continuing.

(tt) There are no Cayman Islands taxes on or by virtue of the execution or delivery of the Amended and Restated Standby Purchase Agreement, the Reopening Indenture, the Notes or any of the other Reopening Transaction Documents or any other document to be furnished thereunder. Payments to be made by the Issuer and the Standby Purchaser or any other party to any of the Reopening Transaction Documents pursuant to the Reopening Transaction Documents will not be subject to Cayman Islands taxes. There are no stamp or other issuance or transfer taxes or duties or other similar fees or charges required to be paid in connection with the execution and delivery of any of the Reopening Transaction Documents or the consummation of any of the other transactions described therein or the issuance and sale by the Issuer of the Notes.

(uu) There is no tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein either (i) on or by virtue of the execution or delivery of the Amended and Restated Standby Purchase Agreement or any of the other Reopening Transaction Documents or (ii) on any payment to be made by the Standby Purchaser to the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the holders (that are non-residents of Brazil) of the Notes pursuant to the Amended and Restated Standby Purchase Agreement, except with respect to any payment of interest, fees or other income made to a party thereto outside of Brazil from funds of the Standby Purchaser in Brazil each of which currently would be subject to a withholding tax which, as of the date thereof, is levied at the rate of 15%, 25% if the beneficiary is domiciled in a tax haven jurisdiction or such other lower rate, as it may be contemplated in a bilateral treaty aimed at avoiding double taxation between Brazil and such other country where the recipient of the payment has its domicile. The Standby Purchaser is permitted to make all payments pursuant to the Amended and Restated Standby Purchase Agreement free and clear of all taxes, levies, imposts, deductions, charges or withholdings imposed, levied or made by or in Brazil or any political subdivision or taxing authority thereof or therein, and no such payment in the hands of the Trustee (to the extent that such payments are for the benefit of non-residents of Brazil) or the Holders (that are non-residents of Brazil) of the Notes will be subject to any tax, levy, impost, deduction, charge or withholding imposed, levied or made by or in Brazil or any political subdivision or taxing authority therein or thereof, in each case except as provided in the immediately preceding sentence. The Standby Purchaser intends to make all payments pursuant to the Amended and Restated Standby Purchase Agreement from funds offshore Brazil. The Standby Purchaser does not believe or reasonably expect that any interest paid or purchases of Purchase Obligations (as defined in the Amended and Restated Standby Purchase Agreement) made by the Standby Purchaser pursuant to the terms thereof will constitute interest paid by a trade or business in the United States within the meaning of Section 884 (f) (1) (A) of the Internal Revenue Code of 1986, as amended. To ensure the legality, validity, enforceability or admissibility in evidence of the Amended and Restated Standby Purchase Agreement in Brazil, it is not necessary that the Amended and Restated Standby Purchase Agreement or any other document be filed or recorded with any court or other authority in Brazil, other than the notarization of the signatures of the parties signing outside Brazil, the subsequent consularization (authentication) of the signature of such a notary by a Brazilian consulate official and the subsequent translation of the Amended and Restated Standby Purchase Agreement into Portuguese by a sworn translator, or that any stamp or similar tax be paid on or in respect of the Amended and Restated Standby Purchase Agreement or any of the other Reopening Transaction Documents.

(vv) After being notarized, consularized and translated into Portuguese by a sworn translator, the Amended and Restated Standby Purchase Agreement will be in proper legal form under the laws of Brazil for the enforcement thereof in Brazil.

(ww) To the extent the Standby Purchaser or its respective property has or may in the future have any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, set-off or counterclaim, the jurisdiction of any competent court, service of process, attachment or execution, in any jurisdiction, with respect to its obligations, liabilities, or any other matter under or arising out of or in connection with the Amended and Restated Standby Purchase Agreement and any other Reopening Transaction Documents, the Standby Purchaser has effectively waived such rights as provided in Section 18 of the Amended and Restated Standby Purchase Agreement; provided that no assets of the Standby Purchaser which are specifically used in the furtherance of the activities listed in Article 177 of the Brazilian Constitution, in respect of which the Brazilian government has a monopoly, could be used by any person in Brazil acquiring such assets as a result of the execution thereof in violation of the provisions contained in such Article 177 of the Brazilian Constitution. The execution and delivery of the Amended and Restated Standby Purchase Agreement by the Standby Purchaser and the performance of its obligations thereunder by the Standby Purchaser constitute private and commercial acts rather than governmental or public acts.

(xx) Except as described in the Final Offering Document and in the Reopening Offering Document, and except as to matters, individually or in the aggregate, which could not reasonably be expected to have a Material Adverse Effect:

(i) The Standby Purchaser and its Material Subsidiaries have obtained all environmental permits with respect to the business in which they are engaged and with respect to the facilities and properties owned, leased or operated by the Standby Purchaser or any of its Material Subsidiaries, and the business and all operations at the properties of the Standby Purchaser are in compliance with all environmental permits and are otherwise in compliance with all environmental laws;

(ii) No officer of the Standby Purchaser or of any of its Material Subsidiaries has received any notice of any claim with respect to any of the properties, the business or otherwise, nor does the Standby Purchaser have knowledge or reason to believe that any such claim will be received or is threatened; and

(iii) There are no past or present actions, activities, events, conditions or circumstances, including the release, threatened, release, emission, discharge, generation, treatment, storage or disposal of any hazardous materials at any locations, that would reasonably be expected to give rise to liability of the Standby Purchaser or any of its Material Subsidiaries under any law or any contract or agreement.

(yy) The Standby Purchaser has, independently and without reliance upon any Noteholder and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Amended and Restated Standby Purchase Agreement and each other Reopening Transaction Document to which it is or is to be a party, and the Standby Purchaser has established adequate means of obtaining from the Issuer on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of the Issuer.

SECTION 8. Covenants

For so long as the Notes remain outstanding or any amount remains unpaid on the Notes and the Indenture, the Guarantor will, and will cause each of its Subsidiaries to, comply with the terms and covenants set forth below (except as otherwise provided in a duly authorized amendment to this Amended and Restated Guaranty as provided herein):

(a) Performance of Obligations. The Guarantor shall pay all amounts owed by it and comply with all its other obligations under the terms of this Amended and Restated Guaranty and the Indenture in accordance with the terms thereof.

(b) Maintenance of Corporate Existence. The Guarantor will, and will cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor except as otherwise permitted by Section 8(g) and (ii) take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided, however,* that this Section 8(b) shall not require the Guarantor to maintain or cause any Subsidiary thereof to maintain any such right, privilege, title to property or franchise or require the Guarantor to preserve the corporate existence of any Subsidiary, if, in each case, the failure to do so does not, and will not, have a Material Adverse Effect.

(c) Maintenance of Ownership of the Issuer. For so long as any Notes are outstanding, the Guarantor will retain no less than 51% direct or indirect ownership of the outstanding voting and economic interests (equity or otherwise) of and in the Issuer.

(d) Maintenance of Office or Agency. So long as any of the Notes are outstanding, the Guarantor will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon the Guarantor in respect of this Amended and Restated Guaranty may be served, and the Guarantor will not change the designation of such office without prior written notice to the Trustee and designation of a replacement office in the same general location.

(e) Ranking. The Guarantor will ensure at all times that its obligations under this Amended and Restated Guaranty will constitute the general senior unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu*, without any preferences among themselves, with all other present and future senior unsecured and unsubordinated obligations of the Guarantor (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of the Guarantor under this Amended and Restated Guaranty.

(f) Notice of Defaults. The Guarantor will give written notice to the Trustee, as soon as is practicable and in any event within ten calendar days after the Guarantor becomes aware, or should reasonably become aware, of the occurrence of any Default or any Event of Default, accompanied by a certificate of an officer of the Guarantor setting forth the details thereof and stating what action the Guarantor proposes to take with respect thereto.

(g) Limitation on Consolidation, Merger, Sale or Conveyance. (i) The Guarantor will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect Subsidiary of the Guarantor) or permit any person or entity (other than a direct or indirect Subsidiary of the Guarantor) to merge with or into it, unless:

(A) either the Guarantor is the continuing entity or the person (the “Successor Company”) formed by such consolidation or into which the Guarantor is merged or that acquired or leased such property or assets of the Guarantor will assume (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to this Amended and Restated Guaranty (the form and substance of which shall be previously approved by the Trustee), all of the Guarantor’s obligations under this Amended and Restated Guaranty;

(B) the Successor Company (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each Noteholder against any tax, assessment or governmental charge thereafter imposed on such Noteholder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes;

(C) immediately after giving effect to such transaction, no Event of Default, and no Default has occurred and is continuing;

(D) the Guarantor has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such merger consolidation, sale, transfer or other conveyance or disposition and the amendment to this Amended and Restated Guaranty comply with the terms of this Amended and Restated Guaranty and that all conditions precedent provided for herein and relating to such transaction have been complied with; and

(E) the Guarantor has delivered notice of any such transaction to Moody's (which notice shall contain a description of such merger, consolidation or conveyance).

(ii) Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and the Guarantor has delivered notice of any such transaction to Moody's and the Trustee (which notice shall contain a description of such merger, consolidation or conveyance):

(A) the Guarantor may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect Subsidiary of the Guarantor in cases when the Guarantor is the surviving entity in such transaction and such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole, it being understood that if the Guarantor is not the surviving entity, the Guarantor shall be required to comply with the requirements set forth in the previous paragraph; or

(B) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than the Guarantor or any of its Subsidiaries or Affiliates) in cases when such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole; or

(C) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any direct or indirect Subsidiary of the Guarantor; or

(D) any direct or indirect Subsidiary of the Guarantor may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor, and would not result in a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of the Guarantor.

(h) Negative Pledge. So long as any Note remains outstanding, the Guarantor will not create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness or (ii) the Indebtedness of any other person, unless the Guarantor contemporaneously creates or permits such Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture. In addition, the Guarantor will not allow any of the Guarantor's Subsidiaries to create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness, (ii) any of its own Indebtedness or (iii) the Indebtedness of any other person, unless it contemporaneously creates or permits the Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor or such Material Subsidiary provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture.

(i) Provision of Financial Statements and Reports. (i) The Guarantor will provide to the Trustee, in English or accompanied by a certified English translation thereof, (A) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP, (B) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP and (C) such other financial data as the Trustee may reasonably request.

(ii) The Guarantor will provide, together with each of the financial statements delivered pursuant to Sections 8(i)(i)(A) and (B), an Officer's Certificate stating that a review of the activities of the Guarantor and the Issuer has been made during the period covered by such financial statements with a view to determining whether the Guarantor and the Issuer have kept, observed, performed and fulfilled their covenants and agreements under this Amended and Restated Guaranty and the Indenture, as applicable, and that no Default or Event of Default has occurred during such period or, if one or more have actually occurred, specifying all such events and what actions have been taken and will be taken with respect to such Default or Event of Default.

(iii) The Guarantor shall, whether or not it is required to file reports with the SEC, file with the SEC and deliver to the Trustee (for redelivery to all Noteholders) all reports and other information as it would be required to file with the SEC under the Exchange Act if it were subject to those regulations; *provided, however*, that if the SEC does not permit the filing described in the first sentence of this Section 8(i)(iii), the Guarantor will provide annual and interim reports and other information to the Trustee within the same time periods that would be applicable if the Guarantor were required and permitted to file these reports with the SEC.

SECTION 9. Amendments,Etc.

No amendment or waiver of any provision of this Amended and Restated Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Trustee and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. For the avoidance of doubt, Article IX of the Indenture shall apply to an amendment to this Amended and Restated Guaranty to determine whether the consent of Holders is required for an amendment and if so, the required percentage of Holders of the Notes required to approve the amendment.

SECTION 10. Indemnity

(a) Without limitation on any other obligations of the Guarantor or remedies of the Trustee under this Amended and Restated Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Trustee and its officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Purchase Obligation to be the legal, valid and binding obligations of the Guarantor enforceable against it in accordance with their terms.

(b) The Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Guarantor or any of its Affiliates or any of their respective officers, directors, employees, agents and advisors, and the Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Transaction Documents or any of the transactions contemplated by the Transaction Documents.

SECTION 11. Notices, Etc.

(a) All notices and other communications provided for hereunder shall be in writing (including telegraphic or teletype) and mailed, telecopied or delivered by hand, if to the Guarantor, addressed to it at Avenida República do Chile, 65, 20035-900 Rio de Janeiro - RJ, Brazil, Telephone: (55-21) 3224-4079, Telecopier: (55-21) 3224-6197, Attention: Sonia Tereza Terra Figueiredo Vasconcellos, Corporate Finance & Treasury/Debt Control, if to the Trustee, at The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York, 10286, USA, Telephone: (1-212) 815-5616, Telecopier: (1-212) 815-5603, Attention: Corporate Trust Department or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when telecopied, be effective when transmitted. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Amended and Restated Guaranty shall be effective as delivery of an original executed counterpart thereof.

(b) All payments made by the Guarantor to the Trustee hereunder shall be made to the Payment Account (as defined in the Indenture).

SECTION 12. Survival

Without prejudice to the survival of any of the other agreements of the Guarantor under this Amended and Restated Guaranty or any of the other Transaction Documents, the agreements and obligations of the Guarantor contained in Section 2 (with respect to the payment of all other amounts owed under the Indenture), Section 7, Section 10 and Section 15 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Amended and Restated Guaranty, the termination of this Amended and Restated Guaranty and/or the resignation or removal of the Trustee.

SECTION 13. No Waiver; Remedies

No failure on the part of the Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 14. Continuing Agreement; Assignment of Rights Under the Indenture and the Notes

This Amended and Restated Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the repayment in full by the Issuer of all amounts due and owing under the Indenture with respect to the Notes and (ii) the repayment in full of all Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Trustee, on behalf of Noteholders, and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Noteholder may assign or otherwise transfer its rights and obligations under the Indenture (including, without limitation, the Note or Notes held by it) to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Noteholder herein or otherwise, in each case as and to the extent provided in the Indenture. The Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of all of the Noteholders.

SECTION 15. Currency Rate Indemnity

(a) The Guarantor shall (to the extent lawful) indemnify the Trustee and the Noteholders and keep them indemnified against:

(i) in the case of nonpayment by the Guarantor of any amount due to the Trustee, on behalf of the Noteholders, under this Amended and Restated Guaranty any loss or damage incurred by any of them arising by reason of any variation between the rates of exchange used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Guarantor; and

(ii) any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which the local currency equivalent of the amounts due or contingently due under this Amended and Restated Guaranty or in respect of the Notes is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Guarantor, and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any bankruptcy, insolvency or liquidation or any distribution of assets in connection therewith.

(b) The Guarantor agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of its obligations hereunder is expressed in a currency (the “Judgment Currency”) other than U.S. dollars (the “Denomination Currency”), it will indemnify the relevant Holder and the Trustee against any deficiency arising or resulting from any variation in rates of exchange between the date at which the amount in the Denomination Currency is notionally converted into the amount in the Judgment Currency for the purposes of such judgment or order and the date of actual payment thereof.

(c) The above indemnities shall constitute separate and independent obligations of the Guarantor from its obligations hereunder, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or the filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Guarantor for a liquidated sum or sums in respect of amounts due under this Amended and Restated Guaranty, or under the Indenture or the Notes or under any judgment or order.

SECTION 16. Governing Law; Jurisdiction; Waiver of Immunity, Etc.

(a) This Amended and Restated Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amended and Restated Guaranty or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding against the Issuer or the Guarantor, as the case may be, relating to this Amended and Restated Guaranty or any other Transaction Document in the courts of any jurisdiction.

(c) The Guarantor hereby irrevocably appoints and empowers the New York office of Petróleo Brasileiro S.A., located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent (the “Process Agent”) to accept and acknowledge for and on its behalf and on behalf of its property service of any and all legal process, summons, notices and documents which may be served in any such suit, action or proceedings in any New York State court or United States federal court sitting in the State of New York in the Borough of Manhattan and any appellate court from any thereof, which service may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. The Guarantor will take any and all action necessary to continue such designation in full force and effect and to advise the Trustee of any change of address of such Process Agent and; should such Process Agent become unavailable for this purpose for any reason, the Guarantor will promptly and irrevocably designate a new Process Agent within New York, New York, which will agree to act as such, with the powers and for the purposes specified in this subsection (c). The Guarantor irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by hand delivery, to it at its address set forth in Section 10 or to any other address of which it shall have given notice pursuant to Section 10 or to its Process Agent. Service upon the Guarantor or the Process Agent as provided for herein will, to the fullest extent permitted by law, constitute valid and effective personal service upon it and the failure of the Process Agent to give any notice of such service to the Guarantor shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

(d) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party in any New York State or federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(e) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY NOTEHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

(f) This Amended and Restated Guaranty and any other documents delivered pursuant hereto, and any actions taken hereunder, constitute commercial acts by the Guarantor. The Guarantor irrevocably and unconditionally and to the fullest extent permitted by law, waives, and agrees not to plead or claim, any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) for itself, the Issuer or any of their property, assets or revenues wherever located with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Amended and Restated Guaranty, any of the Transaction Documents or any document delivered pursuant hereto, in each case for the benefit of each assigns, it being intended that the foregoing waiver and agreement will be effective, irrevocable and not subject to withdrawal in any and all jurisdictions, and, without limiting the generality of the foregoing, agrees that the waivers set forth in this subsection (f) shall have the fullest scope permitted under the United States Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for the purposes of such act.

SECTION 17. Execution in Counterparts

This Amended and Restated Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amended and Restated Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Amended and Restated Guaranty.

SECTION 18. Entire Agreement

This Amended and Restated Guaranty, together with the Indenture and the Notes, sets forth the entire agreement of the parties hereto with respect to the subject matter hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Amended and Restated Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Sérgio Túlio da R. Tinoco

Name: Sérgio Túlio da R. Tinoco

Title: Chief Financial Officer

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON, as Trustee and not

in its individual capacity

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
)
COUNTY OF NEW YORK)

ss:

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

AMENDED AND RESTATED GUARANTY

Dated as of February 10, 2012

between

PETRÓLEO BRASILEIRO S.A.—PETROBRAS,

as Guarantor,

and

THE BANK OF NEW YORK MELLON, as

Trustee for the Noteholders

Referred to Herein

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The Guaranty dated as of March 31, 2010 (the “Original Guaranty”) is hereby amended and restated in its entirety as follows:

AMENDED AND RESTATED GUARANTY

AMENDED AND RESTATED GUARANTY (this “Amended and Restated Guaranty”), dated as of February 10, 2012, between PETRÓLEO BRASILEIRO S.A.—PETROBRAS (the “Guarantor”), a *sociedade de economia mista* organized and existing under the laws of the Federative Republic of Brazil (“Brazil”), and THE BANK OF NEW YORK MELLON, a New York banking corporation, as trustee for the holders of the Notes (as defined below) issued pursuant to the Indenture (as defined below) (the “Trustee”).

WITNESSETH:

WHEREAS, Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a wholly-owned Subsidiary of the Guarantor (the “Issuer”), has entered into an Indenture dated as of December 15, 2006 (the “Original Indenture”) with the Trustee, as supplemented by the amended and restated first supplemental indenture dated as of January 11, 2008, among the Issuer, the Guarantor and the Trustee (the “Reopening Supplemental Indenture”), as further supplemented by the amended and restated first supplemental indenture dated as of March 31, 2010, among the Issuer, the Guarantor and the Trustee (the “2010 Amended and Restated First Supplemental Indenture”), and as further supplemented by the thirteenth supplemental indenture dated as of the date hereof, among the Issuer, the Guarantor and the Trustee (the “Thirteenth Supplemental Indenture”). The Original Indenture, as supplemented by the 2010 Amended and Restated First Supplemental Indenture and the Thirteenth Supplemental Indenture and as amended or supplemented from time to time with respect to the Notes, is hereinafter referred to as the “Indenture”;

WHEREAS, the Issuer has duly authorized the issuance of its notes in such principal amount or amounts as may from time to time be authorized in accordance with the Indenture and has, as of January 11, 2008, issued an additional U.S.\$750,000,000 aggregate principal amount of its 5.875% Global Notes due 2018 (the “Reopening Notes”) under the Original Indenture as supplemented by the Reopening Supplemental Indenture (the “Reopening Indenture”). The Reopening Notes are consolidated, form a single series and are fully fungible with the Company’s outstanding 5.875% Global Notes due 2018 originally issued on November 1, 2007 under the Original Indenture as supplemented by the first supplemental indenture, dated as of November 1, 2007, by and among the Issuer, the Guarantor and the Trustee (the “First Supplemental Indenture”), in the aggregate principal amount of U.S.\$1,000,000,000 (the “Original Notes” and, together with the Reopening Notes, the “Notes”);

WHEREAS, the Guarantor, in its capacity as the Standby Purchaser (the “Standby Purchaser”), had entered into the Amended and Restated Standby Purchase Agreement (the “Amended and Restated Standby Purchase Agreement”) on January 11, 2008 in order to provide the holders of the Notes (the “Noteholders”) with assurances that, if the Issuer shall fail to make all required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Standby Purchaser would be obligated, without any action on the part of the Noteholders, to immediately purchase the rights of the Noteholders to receive such amounts in consideration of the payment by the Standby Purchaser of an amount of funds equal to the amounts then owed by the Issuer under the Indenture and the Notes, subject to the provisions thereof;

WHEREAS, the Guarantor replaced the Amended and Restated Standby Purchase Agreement with the Original Guaranty on March 31, 2010 in order to provide the Noteholders with an irrevocable and unconditional guaranty that, if the Issuer shall fail to make any required payments of principal, interest or other amounts due in respect of the Notes and the Indenture, the Guarantor will pay any such amounts whether at stated maturity, or earlier or later by acceleration or otherwise;

WHEREAS, the Guarantor wishes to amend the Original Guaranty to replace the term “U.S. GAAP” by “Reporting GAAP” in certain sections hereof;

WHEREAS, the Guarantor agrees that it has and will derive substantial direct and indirect benefits from the issuance of the Notes by the Issuer;

WHEREAS, each of the parties hereto is entering into this Amended and Restated Guaranty for the benefit of the other party and for the equal and ratable benefit of the Noteholders;

WHEREAS, Section 9 of the Original Guaranty and Section 9.01 of the Indenture provide that the Trustee and the Guarantor may enter into amendments to the Original Guaranty and the Indenture provided that such action does not adversely affect the interests of the Noteholders in any material respect.

NOW, THEREFORE, the Guarantor and the Trustee hereby agree as follows:

SECTION 1. Definitions

(a) All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented. All such definitions shall be read in a manner consistent with the terms of this Amended and Restated Guaranty.

(b) As used herein, the following capitalized terms shall have the following meanings:

“Affiliate,” with respect to any Person, means any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person; it being understood that for purposes of this definition, the term “*control*” (including the terms “*controlling*,” “*controlled by*” and “*under common control with*”) of a Person shall mean the possession, direct or indirect, of the power to vote 25% or more of the equity or similar voting interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Authorized Representative” of the Guarantor or any other Person means the person or persons authorized to act on behalf of such entity by its chief executive officer, president, chief operating officer, chief financial officer or any vice president or its Board of Directors or any other governing body of such entity.

“Base Prospectus” has the meaning set forth in the definition of Registration Statement herein.

“Board of Directors”, when used with respect to a corporation, means either the board of directors of such corporation or any committee of that board duly authorized to act for it, and when used with respect to a limited liability company, partnership or other entity other than a corporation, any Person or body authorized by the organizational documents or by the voting equity owners of such entity to act for them .

“Denomination Currency” has the meaning specified in Section 15(b).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Final Offering Document” has the meaning specified in Section 7(d).

“Guaranteed Obligations” has the meaning specified in Section 2.

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

“Judgment Currency” has the meaning specified in Section 15(b).

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, assets, property, condition (financial or otherwise) or, results of operation, of the Guarantor together with its consolidated Subsidiaries, taken as a whole, (b) the validity or enforceability of this Amended and Restated Guaranty or any other Transaction Document or (c) the ability of the Guarantor to perform its obligations under this Amended and Restated Guaranty or any other Transaction Document, or (d) the material rights or benefits available to the Noteholders or the Trustee, as representative of the Noteholders under the Indenture, this Amended and Restated Guaranty or any of the other Transaction Documents.

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 15% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Officer’s Certificate” means a certificate of an Authorized Representative of the Guarantor.

“Opinion of Counsel” means a written opinion of counsel from any Person either expressly referred to herein or otherwise reasonably satisfactory to the Trustee which may include, without limitation, counsel for the Guarantor, whether or not such counsel is an employee of the Guarantor.

“Permitted Free Writing Prospectus” has the meaning set forth in the preamble to the Underwriting Agreement among the Issuer, the Guarantor, Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and BNP Paribas Securities Corp., dated January 8, 2008 related to the offering of the Reopening Notes.

“Permitted Lien” means a:

(i) Lien granted in respect of Indebtedness owed to the Brazilian government, *Banco Nacional de Desenvolvimento Econômico e Social* or any official government agency or department of the government of Brazil or of any state or region thereof;

(ii) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Guarantor’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;

(iii) Lien arising from the Guarantor’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Guarantor’s past practice;

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

(v) Lien granted upon or with respect to any assets hereafter acquired by the Guarantor or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets, as the case may be;

(vi) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Guarantor or another Wholly-Owned Subsidiary;

(vii) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Guarantor or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(viii) Lien over any Qualifying Asset relating to a project financed by, and securing Indebtedness incurred in connection with, the Project Financing of such project by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

(ix) Lien existing as of the date of the Amended and Restated First Supplemental Indenture;

(x) Lien resulting from the Transaction Documents;

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

(xii) 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 a Lien referred to in paragraphs (i) through (xi) above (but not paragraph (iv)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (i), (ii), (iii) and (vii), the obligees meet the requirements of such paragraphs and in the case of paragraph (viii), the Indebtedness is incurred in connection with a Project Financing by the Guarantor, any of the Guarantor's Subsidiaries or any consortium or other venture in which the Guarantor or any Subsidiary have any ownership or other similar interests; and

(xiii) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Guarantor's Permitted Liens pursuant to clauses (i) through (xii) of this definition, does not exceed 15% of the Guarantor's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Guarantor's balance sheet is prepared and published in accordance with applicable Law.

"Pre-Pricing Prospectus" means each preliminary prospectus supplement, in the form so furnished to the Underwriters, including the Base Prospectus, and the documents incorporated by reference therein.

"Process Agent" has the meaning specified in Section 16(c).

"Project Financing" of any project means the incurrence of Indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such Indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more Qualifying Assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such Indebtedness.

“Prospectus Supplement” has the meaning specified in Section 7(d).

“Qualifying Asset” in relation to any Project Financing means:

(i) any concession, authorization or other legal right granted by any Governmental Authority to the Guarantor or any of the Guarantor’s Subsidiaries, or any consortium or other venture in which the Guarantor or any Subsidiary has any ownership or other similar interest;

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

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

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

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

“Reopening Transaction Documents” means, collectively, the Reopening Indenture, the Notes and the Amended and Restated Standby Purchase Agreement.

“Registration Statement” means the registration statement on Form F-3 under the Securities Act, initially dated December 18, 2006, filed with the SEC (File No. 333-139459-01) covering the registration of the Notes under the Securities Act and including the related base prospectus in the form dated December 18, 2006 (the “Base Prospectus”) at the time such registration statement was declared effective by the SEC, as amended to the date hereof (including any post-effective amendment that includes a prospectus or prospectus supplement), together with any documents incorporated by reference therein.

“Reporting GAAP” means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) as from the date the Guarantor adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Successor Company” has the meaning specified in Section 8(f)(A).

“Termination Date” has the meaning specified in Section 6.

“TIA” means the United States Trust Indenture Act of 1939, as amended.

“Transaction Documents” means, collectively, the Indenture, the Notes and this Amended and Restated Guaranty.

“Underwriters” means Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and BNP Paribas Securities Corp., acting as such under the Underwriting Agreement.

“Underwriting Agreement” has the meaning specified in Section 7(b).

“U.S. GAAP” means generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

(c)Construction. The parties agree that items (1) through (5) of Section 1.01 of the Indenture shall apply to this Amended and Restated Guaranty, except as otherwise expressly provided or unless the context otherwise requires.

SECTION 2. Guaranty.

(a) The Guarantor hereby unconditionally and irrevocably guarantees the full and punctual payment when due, as a guaranty of payment and not of collection, whether at the Stated Maturity, or earlier or later by acceleration or otherwise, of all obligations of the Issuer now or hereafter existing under the Indenture and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses or otherwise (such obligations being the “Guaranteed Obligations”), and the Guarantor agrees to pay any and all expenses (including reasonable and documented counsel fees and expenses) incurred by the Trustee or any Noteholder in enforcing any rights under this Amended and Restated Guaranty with respect to such Guaranteed Obligations. Without limiting the generality of the foregoing, the Guarantor’s liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Issuer to the Trustee or any Noteholder under the Indenture and the Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, insolvency, reorganization or similar proceeding involving the Issuer.

(b) In the event that the Issuer does not make payments to the Trustee of all or any portion of the Guaranteed Obligations, upon receipt of notice of such non-payment by the Trustee, the Guarantor will make immediate payment to the Trustee of any such amount or portion of the Guaranteed Obligations owing or payable under the Indenture and the Notes. Such notice shall specify the amount or amounts under the Indenture and the Notes that were not paid on the date that such amounts were required to be paid under the terms of the Indenture and the Notes.

(c) The obligation of the Guarantor under this Amended and Restated Guaranty shall be absolute and unconditional upon receipt by it of the notice contemplated herein absent manifest error. The Guarantor shall not be relieved of its obligations hereunder unless and until the Trustee shall have indefeasibly received all amounts required to be paid by the Guarantor hereunder (and any Event of Default under the Indenture has been cured, it being understood that the Guarantor’s obligations hereunder shall terminate following payment by the Issuer and/or the Guarantor of the entire principal, all accrued interest and all other amounts due and owing in respect of the Notes and the Indenture. All amounts payable by the Guarantor hereunder shall be payable in U.S. dollars and in immediately available funds to the Trustee.

All payments actually received by the Trustee pursuant to this Section 2 after 1:00 p.m. (New York time) on any Business Day will be deemed, for purposes of this Amended and Restated Guaranty, to have been received by the Trustee on the next succeeding Business Day.

SECTION 3. Guaranty Absolute

(a) The Guarantor's obligations under this Amended and Restated Guaranty are absolute and unconditional regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Noteholder under its Notes or the Indenture. The obligations of the Guarantor under or in respect of this Amended and Restated Guaranty are independent of the Guaranteed Obligations or any other obligations of the Issuer, the Issuer's Subsidiaries or the Guarantor's Subsidiaries under or in respect of the Indenture and the Notes or any other document or agreement, and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Amended and Restated Guaranty, irrespective of whether any action is brought against the Issuer or whether the Issuer is joined in any such action or actions. The liability of the Guarantor under this Amended and Restated Guaranty shall be irrevocable, absolute and unconditional irrespective of, and the Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

- (i) any lack of validity or enforceability of any of the Transaction Documents;
- (ii) any provision of applicable Law or regulation purporting to prohibit the payment by the Issuer of any amount payable by it under the Indenture and the Notes;
- (iii) any provision of applicable Law or regulation purporting to prohibit the payment by the Guarantor of any amount payable by it under this Amended and Restated Guaranty;
- (iv) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other obligations of any other person or entity under or in respect of the Transaction Documents, or any other amendment or waiver of or any consent to departure from any Transaction Document, including, without limitation, any increase in the obligations of the Issuer under the Indenture and the Notes as a result of further issuances, any rescheduling of the Issuer's obligations under the Notes of the Indenture or otherwise;
- (v) any taking, release or amendment or waiver of, or consent to departure from, any other guaranty or agreement similar in function to this Amended and Restated Guaranty, for all or any of the obligations of the Issuer under the Indenture or the Notes;
- (vi) any manner of sale or other disposition of any assets of any Noteholder;
- (vii) any change, restructuring or termination of the corporate structure or existence of the Issuer or the Guarantor or any Subsidiary thereof or any change in the name, purposes, business, capital stock (including ownership thereof) or constitutive documents of the Issuer or the Guarantor;

(viii) any failure of the Trustee to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer or any of its Subsidiaries (the Guarantor hereby waiving any duty on the part of the Trustee or any Noteholders to disclose such information);

(ix) the failure of any other person or entity to execute or deliver any other guaranty or agreement or the release or reduction of liability of any other guarantor or surety with respect to the Indenture;

(x) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by the Trustee or any Noteholder that might otherwise constitute a defense available to, or a discharge of, the Issuer or the Guarantor or any other party; or

(xi) any claim of set-off or other right which the Guarantor may have at any time against the Issuer or the Trustee, whether in connection with this transaction or with any unrelated transaction.

(b) This Amended and Restated Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Noteholder or any other person or entity upon the insolvency, bankruptcy or reorganization of the Issuer or the Guarantor or otherwise, all as though such payment had not been made.

SECTION 4. Independent Obligation

The obligations of the Guarantor hereunder are independent of the Issuer's obligations under the Notes and the Indenture. The Trustee, on behalf of the Noteholders, may neglect or forbear to enforce payment under the Indenture and the Notes, without in any way affecting or impairing the liability of the Guarantor hereunder. The Trustee shall not be obligated to exhaust recourse or remedies against the Issuer to recover payments required to be made under the Indenture nor take any other action against the Issuer before being entitled to payment from the Guarantor of all amounts contemplated in Section 2 hereof owed hereunder or proceed against or have resort to any balance of any deposit account or credit on the books of the Trustee in favor of the Issuer or in favor of the Guarantor. Without limiting the generality of the foregoing, the Trustee shall have the right to bring a suit directly against the Guarantor, either prior or subsequent to or concurrently with any lawsuit against, or without bringing suit against, the Issuer.

SECTION 5. Waivers and Acknowledgments

(a) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Amended and Restated Guaranty and any requirement that the Trustee, on behalf of the Noteholders, protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against the Issuer or any other Person.

(b) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Amended and Restated Guaranty and acknowledges that this Amended and Restated Guaranty is continuing in nature and applies to the Guaranteed Obligations, whether the same are existing now or in the future.

(c) The Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Noteholder or the Trustee on behalf of the Noteholders that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of the Guarantor or other rights of the Guarantor to proceed against the Issuer or any other person or entity and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Guaranteed Obligations of the Guarantor hereunder.

(d) The Guarantor hereby unconditionally and irrevocably waives any duty on the part of the Trustee or any Noteholder to disclose to the Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Issuer now or hereafter known by the Trustee or any Noteholder, as applicable.

(e) The Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Transaction Documents and that the waivers set forth in this Section 5 are knowingly made in contemplation of such benefits.

(f) The recitals contained in this Amended and Restated Guaranty shall be taken as the statements of the Issuer and the Guarantor, as applicable, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Amended and Restated Guaranty, of any offering materials, the Indenture or of the Notes.

(g) The Guarantor unconditionally and irrevocably waives, to the fullest extent permitted under Brazilian law, any benefit it may be entitled to under Articles 827, 834, 835, 838 and 839 of the Brazilian Civil Code, and under Article 595, caput, of the Brazilian Civil Procedure Code.

SECTION 6. Claims Against the Issuer

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Issuer or any other guarantor that arise from the existence, payment, performance or enforcement of the Guarantor's obligations under or in respect of this Amended and Restated Guaranty or any other Transaction Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification, or to participate in any claim or remedy of the Trustee, on behalf of the Noteholders, against the Issuer or any other person, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer or any other person, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash. If any amount shall be paid to the Guarantor in violation of the immediately preceding sentence at any time prior to the later of (a) the payment in full in cash of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty and (b) the date on which all of the obligations of the Issuer under the Indenture and the Notes have been discharged in full (the later of such dates being the "Termination Date"), such amount shall be paid over to and received and held by the Trustee in trust for the benefit of the Noteholders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Trustee in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, whether matured or unmatured, in accordance with the terms of the Indenture. If (i) the Guarantor shall make payment to any Noteholder or the Trustee, on behalf of the Noteholders, of all or any part of the Guaranteed Obligations, (ii) all of the Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty shall have been paid in full in cash and (iii) the Termination Date shall have occurred, then the Trustee, on behalf of the Noteholders, will, at the Guarantor's written request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Guaranteed Obligations resulting from such payment made by the Guarantor pursuant to this Amended and Restated Guaranty.

SECTION 7. Representations and Warranties. The Guarantor made the following representations and warranties to the Trustee on behalf of the Noteholders as of the date of the Amended and Restated Standby Purchase Agreement, all of which shall survive the execution and delivery of this Amended and Restated Guaranty:

(a) Any and all conditions and requirements necessary to make the Reopening Supplemental Indenture a valid, binding, and legal instrument in accordance with the terms of the Reopening Indenture (including the requirements of Section 2.01(b) of the First Supplemental Indenture) have been performed, satisfied and fulfilled and the execution and delivery of the Reopening Supplemental Indenture has been in all respects duly authorized.

(b) The Issuer and the Standby Purchaser (collectively, the “Companies”) and the transactions contemplated in the Underwriting Agreement dated as of January 8, 2008 among the Standby Purchaser, the Issuer and the Underwriters (the “Underwriting Agreement”) in connection with the offer and sale of the Reopening Notes meet the requirements set forth in Form F-3 under the Securities Act for use of the Registration Statement in connection with the offering of the Reopening Notes that are the subject of this Agreement.

(c) The Standby Purchaser and the Issuer have filed the Registration Statement with the SEC, the Registration Statement has been declared effective under the Securities Act, no stop order suspending the use of any Base Prospectus, any Pre-Pricing Prospectus, the Prospectus Supplement, the Final Offering Document or any Permitted Free Writing Prospectus, or the effectiveness of the Registration Statement has been issued, and no proceedings for such purposes have been instituted or, to the best of the Companies’ knowledge, threatened by the SEC.

(d) The Standby Purchaser and the Issuer filed with the SEC on January 9, 2008 pursuant to Rule 424(b) under the Securities Act a final form of supplement to the Base Prospectus (the “Prospectus Supplement”) dated December 18, 2006 relating to the Reopening Notes and the distribution thereof. The Base Prospectus as supplemented by the Prospectus Supplement in the form in which it was filed with the SEC pursuant to Rule 424(b), together with any documents incorporated by reference therein, is herein referred to as the “Final Offering Document”.

(e) Each of the Companies has filed all the documents required to be filed by it with the SEC pursuant to the Exchange Act, including but not limited to the annual reports on Form 20F for the year ended December 31, 2006 and Forms 6-K in connection with their respective financial statements for the three months ended March 31, 2007, the six months ended June 30, 2007 and the nine months ended September 30, 2007. Each document filed or to be filed by the Companies under the Exchange Act complied and will comply when so filed in all material respects with the requirements of the Exchange Act and the applicable rules and regulations of the SEC and the documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Final Offering Document, at the time they were or hereafter are filed with the SEC, complied and will comply in all material respects with the requirements of the Securities Act, the Exchange Act and the rules and regulations thereunder.

(f) The Original Indenture, the Reopening Supplemental Indenture and the Amended and Restated Standby Purchase Agreement have been qualified under the TIA, and all filings and other actions required under the TIA to permit the use of the Reopening Indenture, the issuance of the Notes thereunder and the execution by the Standby Purchaser and the Trustee of the Amended and Restated Standby Purchase Agreement have been made and taken prior to the date of the Amended and Restated Standby Purchase Agreement.

(g) Prior to the termination of the offering of the Reopening Notes, neither the Standby Purchaser nor the Issuer has filed any amendment to the Registration Statement or supplement to the Final Offering Document which shall not have previously been furnished to the Underwriters or of which the Underwriters shall not previously have been advised or to which the Underwriters shall have reasonably objected in writing.

(h) Each of the Registration Statement, as amended, as of the time it became effective under the Securities Act, and the Final Offering Document as amended or supplemented as of the date of the Amended and Restated Standby Purchase Agreement, contained and contains all disclosures required under applicable laws, including the Securities Act and the rules and regulations thereunder. Neither (i) the Registration Statement, as amended, as of the time it became effective under the Securities Act nor (ii) the Final Offering Document as amended or supplemented as of the date of the Amended and Restated Standby Purchase Agreement (including, for this purpose, documents incorporated by reference therein) contains or will contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, the Standby Purchaser does not make any representation or warranty as to the information contained in or omitted from the Registration Statement or the Final Offering Document in reliance upon and in conformity with information furnished in writing to the Standby Purchaser and the Issuer by any Underwriter, specifically for inclusion therein, which shall consist solely of the first and fifth paragraphs under the captions “Plan of Distribution” in the Prospectus Supplement.

(i) Neither the Issuer nor the Standby Purchaser is an “investment company” as such term is defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder. After giving effect to the offering and sale of the Notes and the application of the proceeds thereof as described in the Registration Statement and the Final Offering Document neither the Issuer nor the Standby Purchaser will be an “investment company” as such term is defined in the United States Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

(j) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has paid or agreed to pay to any person any compensation for soliciting another to purchase (i) the Notes or (ii) any other securities of the Standby Purchaser or the Issuer within the last 90 days, except in the case of either (i) or (ii) as contemplated by the Underwriting Agreement.

(k) Neither the Standby Purchaser, nor any of its Affiliates, nor any person acting on their behalf (other than the Underwriters as to which the Standby Purchaser makes no representation or warranty), has, directly or indirectly, taken any action designed to cause or which has constituted or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of any security of the Standby Purchaser or the Issuer to facilitate the initial sale or resale of the Notes under the Exchange Act, or otherwise.

(l) The Standby Purchaser has been duly organized and is validly existing as a *sociedade de economia mista* (mixed-capital company) in good standing (to the extent that good standing is applicable under applicable Law) under the Laws of Brazil. Each of the Standby Purchaser's Significant Subsidiaries (as defined in Rule 12b-2 under the Exchange Act) has been duly incorporated and is validly existing as a corporation in good standing (to the extent relevant) under the Laws of the jurisdiction in which it is chartered or organized. Each of the Standby Purchaser and its Significant Subsidiaries is licensed (if and to the extent required by law) and has the full corporate power and authority to own or lease, as the case may be, and to operate its properties and to conduct its business as described in the Registration Statement and the Final Offering Document and to enter into and perform its obligations under the Amended and Restated Standby Purchase Agreement and the other Reopening Transaction Documents to which it is a party, and is duly qualified or licensed as a foreign corporation in good standing in each jurisdiction which requires such qualification, except, in the case of its Significant Subsidiaries other than the Issuer, where the failure to be so qualified will not have a Material Adverse Effect. The Standby Purchaser owns, directly or indirectly, all of the outstanding equity interests of the Issuer and its other Significant Subsidiaries.

(m) All the outstanding shares of capital stock, if any, of each Subsidiary of the Standby Purchaser have been duly and validly authorized and issued and are fully paid and non-assessable except, in the case of the Subsidiaries (other than the Issuer), as would not have a Material Adverse Effect, and all outstanding shares of capital stock of the Subsidiaries are owned by the Companies, as the case may be, either directly or through wholly owned Subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(n) The Standby Purchaser's capitalization is as set forth in the Final Offering Document.

(o) There have been no material changes with respect to the matters disclosed in "Item 11. Qualitative and Quantitative Disclosure About Market Risk" in the Form 20-F of the Standby Purchaser for the year ended December 31, 2006, except as otherwise specified in the Final Offering Document.

(p) The Amended and Restated Standby Purchase Agreement has been duly authorized, executed and delivered by the Standby Purchaser; each of the Amended and Restated Standby Purchase Agreement, the Reopening Supplemental Indenture and each other document executed and delivered in connection therewith to which the Standby Purchaser is party has been duly authorized and, assuming due authorization, execution and delivery thereof by each other party to those Reopening Transaction Documents (other than the Standby Purchaser), when executed and delivered by the Standby Purchaser, will constitute a legal, valid and binding agreement of the Standby Purchaser, enforceable against the Standby Purchaser in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity); and the descriptions of the Reopening Transaction Documents in the Registration Statement, the Pre-Pricing Prospectus and the Final Offering Document fairly summarize the rights and obligations of the parties thereto.

(q) The Notes have been duly authorized, and, when issued under the Reopening Indenture, authenticated by the Trustee and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will have been duly executed, issued and delivered and will constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other similar laws affecting creditors' rights generally from time to time in effect and to general principles of equity and will be entitled to the benefits provided by the Reopening Indenture as described in the Registration Statement, the Pre-Pricing Prospectus and the Final Offering Document.

(r) The Notes will constitute the general unsecured and unsubordinated obligations of the Issuer and will rank *pari passu* in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Issuer that are not, by their terms, expressly subordinated in right of payment to the Notes, except for statutory liens and preferences. The obligations of the Standby Purchaser under the Amended and Restated Standby Purchase Agreement will constitute the general unsecured and unsubordinated obligations of the Standby Purchaser and will rank *pari passu* in priority of payment and in right of seniority with all other unsecured and unsubordinated obligations of the Standby Purchaser that are not, by their terms, expressly subordinated in right of payment to the rights of the Trustee, except for statutory liens and preferences.

(s) No consent, approval, authorization, filing with or order of any Governmental Authority is required for (i) the valid authorization, issuance, sale and delivery of the Notes or (ii) the execution, delivery or performance by the Issuer and the Standby Purchaser of any of their respective obligations under any of the Reopening Transaction Documents in the manner contemplated in the Registration Statement, the Pre-Pricing Prospectus and the Final Offering Document, including, without limitation, making any of the applicable payments required to be made after the date of the Amended and Restated Standby Purchase Agreement under or in respect of any of the Reopening Transaction Documents, except for (i) the filing of the Prospectus Supplement pursuant to Rule 424(b) under the Securities Act, which has been effected prior to the date of the Amended and Restated Standby Purchase Agreement, (ii) such consents as may be required under state or foreign securities or blue sky laws and (iii) such filings or consents as may be required by the by-laws and rules of the Financial Industry Regulatory Authority in connection with the use of the Base Prospectus for issuances of securities by the Standby Purchaser and the Issuer and the purchase and distribution of the Notes by the Underwriters and the confirmation by the Financial Industry Regulatory Authority that it has no objection with respect to the fairness and reasonableness of the underwriting terms and arrangements, each of which has, to the best of the Companies' knowledge been obtained and is in full force and effect.

(t) Neither the Issuer nor the Standby Purchaser is currently in violation of its charter, by-laws or comparable organizational documents; neither the issuance and sale of the Notes, the execution and delivery of any of the Reopening Transaction Documents or the consummation of any of the transactions described or contemplated therein, or the fulfillment of the terms thereof will conflict with, or give rise to any right to accelerate the maturity or require the prepayment, repurchase or redemption of any indebtedness under, or result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Companies or any of their Material Subsidiaries pursuant to, (i) the charter, by-laws or comparable organizational documents of either of the Issuer or the Standby Purchaser or any of their Subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Issuer or the Standby Purchaser or any of their Subsidiaries is a party or is bound or to which any of their property or assets is subject or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Issuer or the Standby Purchaser or any of their Subsidiaries, except in the case of clauses (ii) or (iii) such as could not reasonably be expected to have a Material Adverse Effect.

(u) The consolidated historical financial statements of the Issuer and the Standby Purchaser and their consolidated Subsidiaries included or incorporated by reference in the Final Offering Document, together with the related notes, have been prepared in accordance with U.S. GAAP applied on a consistent basis throughout the periods involved (except as otherwise noted therein) and present fairly in all material respects the financial condition, results of operations and cash flows of the Issuer and the Standby Purchaser as of the dates and for the periods indicated. Except as disclosed in the Pre-Pricing Prospectus and the Final Offering Document, there has been no material adverse change in the condition (financial or otherwise), prospects, earnings, business or properties of either of the Issuer or the Standby Purchaser and their consolidated Subsidiaries, taken as a whole, since December 31, 2006. The segment data and other financial and statistical information incorporated by reference in the Registration Statement, the Pre-Pricing Prospectus and the Final Offering Document present fairly the information included therein and have been prepared on a basis consistent with that of the financial statements that are incorporated by reference in the Registration Statement, the Pre-Pricing Prospectus and the Final Offering Document and the books and records of the respective entities presented therein.

(v) There are no pro forma or consolidated financial statements or other financial statements or data which are required to be included or incorporated by reference in the Registration Statement, the Pre-Pricing Prospectus and the Final Offering Document in accordance with Regulation S-X under the Securities Act which have not been included as so required.

(w) The statistical, industry-related and market-related data included in the Pre-Pricing Prospectus and the Final Offering Document are based on or derived from sources which the Standby Purchaser and the Issuer reasonably and in good faith believe are reliable and accurate, and such data agree with the sources from which they are derived.

(x) Except as set forth or contemplated in the Pre-Pricing Prospectus and the Final Offering Document, neither of the Issuer or the Standby Purchaser has entered into any transaction or agreement (whether or not in the ordinary course of business) material to either of the Issuer or the Standby Purchaser individually or the Issuer and the Standby Purchaser taken as a whole with their consolidated Subsidiaries.

(y) No action, suit or proceeding by or before any Governmental Authority involving the Issuer or the Standby Purchaser or any of their Subsidiaries or their property or assets is pending or, to the best knowledge of the Standby Purchaser, threatened, involving or in any way relating to (i) the Amended and Restated Standby Purchase Agreement, any of the other Reopening Transaction Documents or the transactions contemplated therein or (ii) any other matter that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, except as set forth in or contemplated in the Pre-Pricing Prospectus and the Final Offering Document. Neither the Issuer, the Standby Purchaser or any of their Subsidiaries is in violation of or in default with respect to any applicable statute (including, without limitation, any applicable provision of the Sarbanes-Oxley Act, including any rules and regulations thereunder or related thereto), rule, writ, injunction, decree, order or regulation of any Governmental Authority having jurisdiction over such Person which is reasonably likely to have a Material Adverse Effect.

(z) Each of KPMG Auditores Independentes and Ernst & Young Auditores Independentes (who have certified the financial statements of the Issuer and the Standby Purchaser and supporting schedules and information of Standby Purchaser and the Issuer and their consolidated Subsidiaries and delivered their report with respect to the audited and unaudited consolidated financial statements and other financial information included in the Final Offering Document relating to the Issuer and the Standby Purchaser and their consolidated Subsidiaries) are, and in the case of Ernst & Young Auditores Independentes, were, at the time it served as auditors of the Issuer and Standby Purchaser, independent public accountants within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants and the applicable requirements of the Regulation S-X under the Securities Act and the Exchange Act and, in the case of KPMG Auditores Independentes, and Ernst & Young Auditores Independentes are certified public accountants with respect to the Standby Purchaser and the Issuer under the standards established by the local authorities in the Cayman Islands and Brazil.

(aa) Each of the Issuer and the Standby Purchaser and their respective Subsidiaries has filed or caused to be filed all tax returns which to the knowledge of the Issuer and the Standby Purchaser are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against such person or any of its respective properties and all other taxes, assessments, fees or other charges imposed on such person or any of its respective properties by, and Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles have been provided on the books of such person); and no material tax liens or material liens with respect to any assessments, fees or other charges have been filed and, to the knowledge of such person, no material claims are being asserted with respect to any such taxes, assessments, fees or other charges.

(bb) The indemnification and contribution provisions set forth in Section 14 of the Amended and Restated Standby Purchase Agreement do not contravene Brazilian or Cayman Islands or public policy.

(cc) The submission of the Issuer and the Standby Purchaser to the non-exclusive jurisdiction of the courts of the Supreme Court of the State of New York, County of New York, and the United States District Court for the Southern District of New York (each, a “New York court”) in Section 18 of the Amended and Restated Standby Purchase Agreement, in the case of the Standby Purchaser, and, as applicable, under each of the Reopening Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; the appointment of the Standby Purchaser’s New York Branch located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent for the purpose described in Section 18 of the Amended and Restated Standby Purchase Agreement and under each of the other Reopening Transaction Documents is legal, valid and binding under the laws of Brazil and the Cayman Islands; and the choice of law provision set forth in Section 18 of the Amended and Restated Standby Purchase Agreement and in each Reopening Transaction Document is legal, valid and binding under the laws of Brazil and the Cayman Islands. Any final judgment of a New York court in respect of any amount payable by the Issuer and the Standby Purchaser under any Reopening Transaction Document and which conforms with Brazilian or Cayman Island, as applicable, law, rule, regulation or public policy and with the provisions for enforcement of foreign judgments set forth in the Final Memorandum be enforceable in the courts of Brazil and the Cayman Islands without reexamination of the merits.

(dd) Both presently and immediately after giving effect to the transactions contemplated under the Amended and Restated Standby Purchase Agreement and in the Final Offering Document, each of the Issuer and the Standby Purchaser (i) is and will be able to pay its debts as they become due and (ii) is not insolvent as defined under applicable Brazilian bankruptcy, insolvency or similar law or Cayman Islands bankruptcy, insolvency or similar law.

(ee) The Standby Purchaser has, independently and without reliance upon any Noteholder and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the Amended and Restated Standby Purchase Agreement and each other Reopening Transaction Document to which it is or is to be a party, and the Standby Purchaser has established adequate means of obtaining from the Issuer on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties and prospects of the Issuer.

SECTION 8. Covenants

For so long as the Notes remain outstanding or any amount remains unpaid on the Notes and the Indenture, the Guarantor will, and will cause each of its Subsidiaries to, comply with the terms and covenants set forth below (except as otherwise provided in a duly authorized amendment to this Amended and Restated Guaranty as provided herein):

(a) Performance of Obligations. The Guarantor shall pay all amounts owed by it and comply with all its other obligations under the terms of this Amended and Restated Guaranty and the Indenture in accordance with the terms thereof.

(b) Maintenance of Corporate Existence. The Guarantor will, and will cause each of its Subsidiaries to, (i) maintain in effect its corporate existence and all registrations necessary therefor except as otherwise permitted by Section 8(f) and (ii) take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations; *provided, however,* that this Section 8(b) shall not require the Guarantor to maintain or cause any Subsidiary to maintain any such right, privilege, title to property or franchise or require the Guarantor to preserve the corporate existence of any Subsidiary, if, in each case, the failure to do so does not, and will not, have a Material Adverse Effect.

(c) Maintenance of Office or Agency. So long as any of the Notes are outstanding, the Guarantor will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon the Guarantor in respect of this Amended and Restated Guaranty may be served, and the Guarantor will not change the designation of such office without prior written notice to the Trustee and designation of a replacement office in the same general location.

(d) Ranking. The Guarantor will ensure at all times that its obligations under this Amended and Restated Guaranty will constitute the general senior unsecured and unsubordinated obligations of the Guarantor and will rank *pari passu*, without any preferences among themselves, with all other present and future senior unsecured and unsubordinated obligations of the Guarantor (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of the Guarantor under this Amended and Restated Guaranty.

(e) Notice of Defaults. The Guarantor will give written notice to the Trustee, as soon as is practicable and in any event within ten calendar days after the Guarantor becomes aware, or should reasonably become aware, of the occurrence of any Default or Event of Default, accompanied by a certificate of an officer of the Guarantor setting forth the details thereof and stating what action the Guarantor proposes to take with respect thereto.

(f) Limitation on Consolidation, Merger, Sale or Conveyance. (i) The Guarantor will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect Subsidiary of the Guarantor) or permit any person or entity (other than a direct or indirect Subsidiary of the Guarantor) to merge with or into it, unless:

(A) either the Guarantor is the continuing entity or the person (the “Successor Company”) formed by such consolidation or into which the Guarantor is merged or that acquired or leased such property or assets of the Guarantor will assume (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to this Amended and Restated Guaranty (the form and substance of which shall be previously approved by the Trustee), all of the Guarantor’s obligations under this Amended and Restated Guaranty;

(B) the Successor Company (jointly and severally with the Guarantor unless the Guarantor shall have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each Noteholder against any tax, assessment or governmental charge thereafter imposed on such Noteholder solely as a consequence of such consolidation, merger, conveyance, transfer or lease with respect to the payment of principal of, or interest on, the Notes pursuant to this Amended and Restated Guaranty;

(C) immediately after giving effect to such transaction, no Event of Default, and no Default has occurred and is continuing;

(D) the Guarantor has delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such merger consolidation, sale, transfer or other conveyance or disposition and the amendment to this Amended and Restated Guaranty comply with the terms of this Amended and Restated Guaranty and that all conditions precedent provided for herein and relating to such transaction have been complied with; and

(E) the Guarantor has delivered notice of any such transaction to Moody’s (which notice shall contain a description of such merger, consolidation or conveyance).

(ii) Notwithstanding anything to the contrary in the foregoing, so long as no Default or Event of Default shall have occurred and be continuing at the time of such proposed transaction or would result therefrom and the Guarantor has delivered notice of any such transaction to Moody’s and the Trustee (which notice shall contain a description of such merger, consolidation or conveyance):

(A) the Guarantor may merge, amalgamate or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its properties, assets or revenues to a direct or indirect Subsidiary of the Guarantor in cases when the Guarantor is the surviving entity in such transaction and such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole, it being understood that if the Guarantor is not the surviving entity, the Guarantor shall be required to comply with the requirements set forth in the previous paragraph; or

(B) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any person (other than the Guarantor or any of its Subsidiaries or Affiliates) in cases when such transaction would not have a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole; or

(C) any direct or indirect Subsidiary of the Guarantor may merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of assets to, any direct or indirect Subsidiary of the Guarantor; or

(D) any direct or indirect Subsidiary of the Guarantor may liquidate or dissolve if the Guarantor determines in good faith that such liquidation or dissolution is in the best interests of the Guarantor, and would not result in a Material Adverse Effect on the Guarantor and its Subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of the Guarantor.

(g) Negative Pledge. So long as any Note remains outstanding, the Guarantor will not create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness or (ii) the Indebtedness of any other person, unless the Guarantor contemporaneously creates or permits such Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture. In addition, the Guarantor will not allow any of the Guarantor's Material Subsidiaries to create or permit any Lien, other than a Permitted Lien, on any of the Guarantor's assets to secure (i) any of the Guarantor's Indebtedness, (ii) any of the Indebtedness of the Guarantor's Subsidiaries or (iii) the Indebtedness of any other person, unless it contemporaneously creates or permits the Lien to secure equally and ratably the Guarantor's obligations under this Amended and Restated Guaranty or the Guarantor or such Subsidiary provides such other security for the Notes as is duly approved by the Trustee, at the direction of the Noteholders, in accordance with the Indenture.

(h) Provision of Financial Statements and Reports. (i) The Guarantor will provide to the Trustee, in English or accompanied by a certified English translation thereof, (A) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP, (B) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with Reporting GAAP and (C) such other financial data as the Trustee may reasonably request.

(ii) The Guarantor will provide, together with each of the financial statements delivered pursuant to Sections 8(h)(i)(A) and (B), an Officer's Certificate stating that a review of the activities of the Guarantor and the Issuer has been made during the period covered by such financial statements with a view to determining whether the Guarantor and the Issuer have kept, observed, performed and fulfilled their covenants and agreements under this Amended and Restated Guaranty and the Indenture, as applicable, and that no Default or Event of Default has occurred during such period or, if one or more have actually occurred, specifying all such events and what actions have been taken and will be taken with respect to such Default or Event of Default.

(iii) The Guarantor shall, whether or not it is required to file reports with the SEC, file with the SEC and deliver to the Trustee (for redelivery to all Noteholders) all reports and other information as it would be required to file with the SEC under the Exchange Act if it were subject to those regulations; *provided, however*, that if the SEC does not permit the filing described in the first sentence of this Section 8(h)(iii), the Guarantor will provide annual and interim reports and other information to the Trustee within the same time periods that would be applicable if the Guarantor were required and permitted to file these reports with the SEC.

(iv) Upon written request of any Holder or The Depository Trust Company (DTC), the reports and other information provided for in this paragraph (h) shall be delivered to DTC representing the Noteholders, at 55 Water Street, 25th Floor, New York, NY, 10041, Attention: Proxy Department, or such other address as DTC may provide to the Trustee in writing.

(v) Delivery of the above reports to the Trustee is for informational purposes only and the Trustee's receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Guarantor's compliance with any of its covenants in the Indenture (as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

SECTION 9. Amendments,Etc.

No amendment or waiver of any provision of this Amended and Restated Guaranty and no consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Trustee and the Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. For the avoidance of doubt, Article IX of the Indenture shall apply to an amendment to this Amended and Restated Guaranty to determine whether the consent of Holders is required for an amendment and if so, the required percentage of Holders of the Notes required to approve the amendment.

SECTION 10. Indemnity

(a) Without limitation on any other obligations of the Guarantor or remedies of the Trustee under this Amended and Restated Guaranty, the Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless the Trustee and its officers, directors, employees, agents and advisors (each, an “Indemnified Party”) from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with arising out of or as a result of this Amended and Restated Guaranty or of any failure of any Guaranteed Obligation to be the legal, valid and binding obligations of the Guarantor enforceable against it in accordance with their terms.

(b) The Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to the Guarantor or any of its Affiliates or any of their respective officers, directors, employees, agents and advisors, and the Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Transaction Documents or any of the transactions contemplated by the Transaction Documents.

(c) The above indemnities shall constitute separate and independent obligations of the Guarantor from its obligations hereunder, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or the filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Guarantor for a liquidated sum or sums in respect of amounts due under this Amended and Restated Guaranty, or under the Indenture or the Notes or under any judgment or order.

SECTION 11. Notices, Etc.

(a) All notices and other communications provided for hereunder shall be in writing (including telegraphic or teletype) and mailed, telecopied or delivered by hand, if to the Guarantor, addressed to it at Avenida República do Chile, 65, 20035-900 Rio de Janeiro - RJ, Brazil, Telephone: (55-21) 3224-4079, Telecopier: (55-21) 3224-6197, Attention: Sonia Tereza Terra Figueiredo Vasconcellos, Corporate Finance & Treasury/Debt Control, if to the Trustee, at The Bank of New York Mellon, 101 Barclay Street, 4E, New York, New York, 10286, USA, Telephone: (1-212) 815-5616, Telecopier: (1-212) 815-5603, Attention: Corporate Trust Department or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when telecopied, be effective when transmitted. Delivery by telecopier of an executed counterpart of a signature page to any amendment or waiver of any provision of this Amended and Restated Guaranty shall be effective as delivery of an original executed counterpart thereof.

(b) All payments made by the Guarantor to the Trustee hereunder shall be made to the Payment Account (as defined in the Indenture).

SECTION 12. Survival

Without prejudice to the survival of any of the other agreements of the Guarantor under this Amended and Restated Guaranty or any of the other Transaction Documents, the agreements and obligations of the Guarantor contained in Section 2 (with respect to the payment of all other amounts owed under the Indenture), Section 7, Section 10 and Section 15 shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Amended and Restated Guaranty, the termination of this Amended and Restated Guaranty and/or the resignation or removal of the Trustee.

SECTION 13. No Waiver; Remedies

No failure on the part of the Trustee to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 14. Continuing Agreement; Assignment of Rights Under the Indenture and the

Notes

This Amended and Restated Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the later of (i) the repayment in full by the Issuer of all amounts due and owing under the Indenture with respect to the Notes and (ii) the repayment in full of all Guaranteed Obligations and all other amounts payable under this Amended and Restated Guaranty, (b) be binding upon the Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Trustee, on behalf of Noteholders, and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Noteholder may assign or otherwise transfer its rights and obligations under the Indenture (including, without limitation, the Note or Notes held by it) to any other person or entity, and such other person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Noteholder herein or otherwise, in each case as and to the extent provided in the Indenture. The Guarantor shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of all of the Noteholders.

SECTION 15. Currency Rate Indemnity

(a) The Guarantor shall (to the extent lawful) indemnify the Trustee and the Noteholders and keep them indemnified against:

(i) in the case of nonpayment by the Guarantor of any amount due to the Trustee, on behalf of the Noteholders, under this Amended and Restated Guaranty any loss or damage incurred by any of them arising by reason of any variation between the rates of exchange used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by the Guarantor; and

(ii) any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which the local currency equivalent of the amounts due or contingently due under this Amended and Restated Guaranty or in respect of the Notes is calculated for the purposes of any bankruptcy, insolvency or liquidation of the Guarantor, and (b) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be increased or reduced by any variation in rates of exchange occurring between the said final date and the date of any bankruptcy, insolvency or liquidation or any distribution of assets in connection therewith.

(b) The Guarantor agrees that, if a judgment or order given or made by any court for the payment of any amount in respect of its obligations hereunder is expressed in a currency (the “Judgment Currency”) other than U.S. dollars (the “Denomination Currency”), it will indemnify the relevant Holder and the Trustee against any deficiency arising or resulting from any variation in rates of exchange between the date at which the amount in the Denomination Currency is notionally converted into the amount in the Judgment Currency for the purposes of such judgment or order and the date of actual payment thereof.

(c) The above indemnities shall constitute separate and independent obligations of the Guarantor from its obligations hereunder, will give rise to separate and independent causes of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or the filing of any proof or proofs in any bankruptcy, insolvency or liquidation of the Guarantor for a liquidated sum or sums in respect of amounts due under this Amended and Restated Guaranty, or under the Indenture or the Notes or under any judgment or order.

SECTION 16. Governing Law; Jurisdiction; Waiver of Immunity, Etc.

(a) This Amended and Restated Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amended and Restated Guaranty or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding against the Issuer or the Guarantor, as the case may be, relating to this Amended and Restated Guaranty or any other Transaction Document in the courts of any jurisdiction.

(c) The Guarantor hereby irrevocably appoints and empowers the New York office of Petróleo Brasileiro S.A., located at 570 Lexington Avenue, 43rd Floor, New York, New York 10022 as its authorized agent (the “Process Agent”) to accept and acknowledge for and on its behalf and on behalf of its property service of any and all legal process, summons, notices and documents which may be served in any such suit, action or proceedings in any New York State court or United States federal court sitting in the State of New York in the Borough of Manhattan and any appellate court from any thereof, which service may be made on such designee, appointee and agent in accordance with legal procedures prescribed for such courts. The Guarantor will take any and all action necessary to continue such designation in full force and effect and to advise the Trustee of any change of address of such Process Agent and; should such Process Agent become unavailable for this purpose for any reason, the Guarantor will promptly and irrevocably designate a new Process Agent within New York, New York, which will agree to act as such, with the powers and for the purposes specified in this subsection (c). The Guarantor irrevocably consents and agrees to the service of any and all legal process, summons, notices and documents out of any of the aforesaid courts in any such action, suit or proceeding by hand delivery, to it at its address set forth in Section 11 or to any other address of which it shall have given notice pursuant to Section 11 or to its Process Agent. Service upon the Guarantor or the Process Agent as provided for herein will, to the fullest extent permitted by law, constitute valid and effective personal service upon it and the failure of the Process Agent to give any notice of such service to the Guarantor shall not impair or affect in any way the validity of such service or any judgment rendered in any action or proceeding based thereon.

(d) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Amended and Restated Guaranty or any of the other Transaction Documents to which it is or is to be a party in any New York State or federal court. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(e) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE TRANSACTION DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY NOTEHOLDER IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

(f) This Amended and Restated Guaranty and any other documents delivered pursuant hereto, and any actions taken hereunder, constitute commercial acts by the Guarantor. The Guarantor irrevocably and unconditionally and to the fullest extent permitted by law, waives, and agrees not to plead or claim, any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) for itself, the Issuer or any of their property, assets or revenues wherever located with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Amended and Restated Guaranty, any of the Transaction Documents or any document delivered pursuant hereto, in each case for the benefit of each assigns, it being intended that the foregoing waiver and agreement will be effective, irrevocable and not subject to withdrawal in any and all jurisdictions, and, without limiting the generality of the foregoing, agrees that the waivers set forth in this subsection (f) shall have the fullest scope permitted under the United States Foreign Sovereign Immunities Act of 1976 and are intended to be irrevocable for the purposes of such act.

SECTION 17. Execution in Counterparts

This Amended and Restated Guaranty and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amended and Restated Guaranty by telecopier shall be effective as delivery of an original executed counterpart of this Amended and Restated Guaranty.

SECTION 18. Entire Agreement

This Amended and Restated Guaranty, together with the Indenture and the Notes, sets forth the entire agreement of the parties hereto with respect to the subject matter hereof.

[Signature page follows]

IN WITNESS WHEREOF, the Guarantor has caused this Amended and Restated Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Sérgio Túlio da R. Tinoco

Name: Sérgio Túlio da R. Tinoco

Title: Chief Financial Officer

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

ACKNOWLEDGED:

THE BANK OF NEW YORK MELLON, as Trustee and not

in its individual capacity

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
)
COUNTY OF NEW YORK) ss:

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

THIRTEENTH SUPPLEMENTAL INDENTURE

THIRTEENTH SUPPLEMENTAL INDENTURE, effective as of February 10, 2012, by and among Petrobras International Finance Company, an exempted company incorporated with limited liability under the laws of the Cayman Islands, having its principal office at 4th Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman, Cayman Islands (the “Company”), THE BANK OF NEW YORK MELLON, a New York banking corporation, as Trustee hereunder (the “Trustee”), and Petróleo Brasileiro S.A. – Petrobras, a mixed capital company (*sociedade de economia mista*) organized under the laws of Brazil, having its principal office at Avenida República do Chile, 65, 20035-900 Rio de Janeiro – RJ, Brazil (“Petrobras”).

WITNESSETH:

WHEREAS, the Company and the Trustee previously have entered into an indenture, dated as of December 15, 2006 (the “Original Indenture”);

WHEREAS, the Original Indenture was supplemented by each of (i) the Amended and Restated First Supplemental Indenture, dated as of March 31, 2010 (the “Amended and Restated First Supplemental Indenture”) with respect to the U.S.\$1,000,000,000 5.875% Global Notes due 2018 (the “Original 2018 Notes”) and an additional issuance of U.S.\$750,000,000 5.875% Global Notes due 2018 (the “Reopening 2018 Notes” and, together with the Original 2018 Notes, the “2018-1 Notes”); (ii) the Amended and Restated Second Supplemental Indenture, dated as of July 9, 2009 (the “Amended and Restated Second Supplemental Indenture”) with respect to the U.S.\$1,500,000,000 7.875% Global Notes due 2019 (the “Original 2019 Notes”) and an additional issuance of U.S.\$1,250,000,000 7.875% Global Notes due 2019 (the “Reopening 2019 Notes” and, together with the Original 2019 Notes, the “2019 Notes”); (iii) the Third Supplemental Indenture, dated as of October 30, 2009 (the “Third Supplemental Indenture”) with respect to the U.S.\$2,500,000,000 5.75% Global Notes due 2020 (the “2020 Notes”); (iv) the Fourth Supplemental Indenture, dated as of October 30, 2009 (the “Fourth Supplemental Indenture”) with respect to the U.S.\$1,500,000,000 6.875% Global Notes due 2040 (the “2040 Notes”); (v) the Fifth Supplemental Indenture, dated as of January 27, 2011 (the “Fifth Supplemental Indenture”) with respect to the U.S.\$2,500,000,000 3.875% Global Notes due 2016 (the “2016 Notes”); (vi) the Amended and Restated Sixth Supplemental Indenture, dated as of February 6, 2012 (the “Amended and Restated Sixth Supplemental Indenture”) with respect to the U.S.\$2,500,000,000 5.375% Global Notes due 2021 (the “Original 2021 Notes”) and an additional issuance of U.S.\$2,750,000,000 5.375% Global Notes due 2021 (the “Reopening 2021 Notes” and, together with the Original 2021 Notes, the “2021 Notes”); (vii) the Amended and Restated Seventh Supplemental Indenture, dated as of February 6, 2012 (the “Amended and Restated Seventh Supplemental Indenture”) with respect to the U.S.\$1,000,000,000 6.750% Global Notes due 2041 (the “Original 2041 Notes”) and an additional issuance of U.S.\$1,250,000,000 6.750% Global Notes due 2041 (the “Reopening 2041 Notes” and, together with the Original 2041 Notes, the “2041 Notes”); (viii) the Eighth Supplemental Indenture, dated as of December 9, 2011 (the “Eighth Supplemental Indenture”) with respect to the €1,250,000,000 4.875% Global Notes due 2018 (the “2018-2 Notes”); (ix) the Ninth Supplemental Indenture, dated as of December 9, 2011 (the “Ninth Supplemental Indenture”) with respect to the €600,000,000 5.875% Global Notes due 2022 (the “2022 Notes”); (x) the Tenth Supplemental Indenture, dated as of December 12, 2011 (the “Tenth Supplemental Indenture”) with respect to the £700,000,000 6.250% Global Notes due 2026 (the “2026 Notes”); (xi) the Eleventh Supplemental Indenture, dated as of February 6, 2012 (the “Eleventh Supplemental Indenture”) with respect to the U.S.\$1,250,000,000 2.875% Global Notes due 2015 (the “2015 Notes”); and (xii) the Twelfth Supplemental Indenture, dated as of February 6, 2012 (the “Twelfth Supplemental Indenture” and, together with the Amended and Restated First Supplemental Indenture, the Amended and Restated Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Amended and Restated Sixth Supplemental Indenture, the Amended and Restated Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture and the Eleventh Supplemental Indenture, the “Supplemental Indentures” and each a “Supplemental Indenture”) with respect

to the U.S.\$1,750,000,000 3.500% Global Notes due 2017 (the “2017 Notes” and, together with 2018-1 Notes, the 2019 Notes, the 2020 Notes, the 2040 Notes, the 2016 Notes, the 2021 Notes, the 2041 Notes, the 2018-2 Notes, the 2022 Notes, the 2026 Notes and the 2015 Notes, the “Notes”);

WHEREAS, Section 9.01 of the Original Indenture provides that, subsequent to the execution of the Original Indenture and subject to satisfaction of certain conditions, the Company and the Trustee may enter into one or more indentures supplemental to the Original Indenture to add to, change or eliminate any of the provisions of the Original Indenture in respect of one or more series of Securities (as defined in the Original Indenture);

WHEREAS, the Company and Petrobras wish to amend the Original Indenture and each of the Supplemental Indentures to replace the term U.S. GAAP by Reporting GAAP (as defined herein);

WHEREAS, the Company and Petrobras confirm that any and all conditions and requirements necessary to make this Thirteenth Supplemental Indenture a valid, binding, and legal instrument in accordance with the terms of the Indenture have been performed and fulfilled and the execution and delivery of this Thirteenth Supplemental Indenture has been in all respects duly authorized;

WHEREAS, pursuant to Section 9.01 of the Original Indenture, the Trustee is authorized to execute and deliver this Thirteenth Supplemental Indenture; and

WHEREAS, the Company and Petrobras have requested that the Trustee execute and deliver this Thirteenth Supplemental Indenture;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and in the Indenture and for other good and valuable consideration, the receipt and sufficiency of which are herein acknowledged, the Company, Petrobras and the Trustee hereby agree, for the equal and ratable benefit of all Holders, as follows:

Article 1

DEFINITIONS

Section 1.01. *Defined Terms.* All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented and amended hereby. All definitions in the Original Indenture shall be read in a manner consistent with the terms of this Thirteenth Supplemental Indenture.

Section 1.01. *Changes to Definitions of Original Indenture.* (a) The first paragraph of Section 1.01 of the Original Indenture shall be amended to read in its entirety as follows:

“For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;
- (3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with Reporting GAAP , and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are consistent with Reporting GAAP at the date of such computation; and
- (4) Unless the context otherwise requires, any reference to an "Article," a "Section" or an "Annex" refers to an Article, a Section or an Annex, as the case may be, of this Indenture; and
- (5) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or other subdivision.”

(b) The definition of “Indebtedness” in Section 1.01 of the Original Indenture shall be amended to read as follows:

“Indebtedness” means any obligation (whether present or future, actual or contingent and including, without limitation, any guarantee) for payment on or the repayment of money which has been borrowed or raised (including money raised by acceptance and all leases which, under Reporting GAAP, would constitute a capital lease obligation).

(c) Section 1.01 of the Original Indenture shall be amended by adding the following definition:

“Reporting GAAP” means (i) generally accepted accounting principles in effect in the United States of America applied on a basis consistent with the principles, methods, procedures and practices in effect from time to time or (ii) International Financial Reporting Standards (“IFRS”) as adopted by the International Accounting Standards Board (“IASB”) as from the date Petrobras adopts IFRS as its primary reporting or accounting standard in its reports filed with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

Section 1.02. *Changes to Definitions of the Supplemental Indentures.* (a) For the benefit of the Holders of the Notes, the definition of “Material Subsidiary” and “Permitted Lien of each of the Supplemental Indentures shall be amended to read as follows:

“Material Subsidiary” means, as to any Person, any Subsidiary of such Person which, on any given date of determination, accounts for more than 10% of Petrobras’ total consolidated assets, as such total assets are set forth on the most recent consolidated financial statements of Petrobras prepared in accordance with Reporting GAAP (or if Petrobras does not prepare financial statements in Reporting GAAP, consolidated financial statements prepared in accordance with Brazilian generally accepted accounting principles).

“Permitted Lien” means a:

(a) Lien arising by operation of law, such as merchants’, maritime or other similar Liens arising in the Company’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 the Company’s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with the Company’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 such Indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;

(d) Lien granted upon or with respect to any assets hereafter acquired by the Company or any Subsidiary to secure the acquisition costs of such assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such assets, including any Lien existing at the time of the acquisition of such assets as long as the maximum amount so secured shall not exceed the aggregate acquisition costs of all such assets or the aggregate Indebtedness incurred solely for the acquisition of such assets, as the case may be;

(e) Lien granted in connection with the Indebtedness of a Wholly-Owned Subsidiary owing to the Company or another Wholly-Owned Subsidiary;

(f) Lien existing on any asset or on any stock of any Subsidiary prior to the acquisition thereof by the Company or any Subsidiary as long as such Lien is not created in anticipation of such acquisition;

(g) Lien existing as of the date of the Supplemental Indenture governing the relevant Notes;

(h) Lien resulting from the Indenture or the Guaranty;

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

(j) Lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any Indebtedness secured by Lien referred to in paragraphs (a) through (i) above (but not paragraph (c)), provided that such Lien does not extend to any other property, the principal amount of the Indebtedness secured by such Lien is not increased, and in the case of paragraphs (a), (b) and (f) the obligees meet the requirements of such paragraphs; and

(k) Lien in respect of Indebtedness the principal amount of which in the aggregate, together with all Liens not otherwise qualifying as the Company's Permitted Liens pursuant to clauses (a) through (j) of this definition, does not exceed 15% of the Company's consolidated total assets (as determined in accordance with Reporting GAAP) at any date as at which the Company's balance sheet is prepared and published in accordance with applicable Law."

Article 2

MISCELLANEOUS

Section 2.01. *Effect of the Thirteenth Supplemental Indenture.* This Thirteenth Supplemental Indenture supplements the Original Indenture and shall be a part, and subject to all the terms, thereof. The Original Indenture, as supplemented and amended by this Thirteenth Supplemental Indenture, is in all respects ratified and confirmed, and the Original Indenture and this Thirteenth Supplemental Indenture shall be read, taken and construed as one and the same instrument. This Thirteenth Supplemental Indenture supplements each of the Supplemental Indentures and shall be a part, and subject to all the terms, of each of such Supplemental Indentures. Each Supplemental Indenture, as supplemented and amended by this Thirteenth Supplemental Indenture, is in all respects ratified and confirmed, and each of the Supplemental Indentures and this Thirteenth Supplemental Indenture shall be read, taken and construed as one and the same instrument. All provisions included in this Thirteenth Supplemental Indenture supersede any conflicting provisions included in the Original Indenture and the Supplemental Indentures unless not permitted by law. The Trustee accepts the trusts created by the Original Indenture, as supplemented by this Thirteenth Supplemental Indenture, and agrees to perform the same upon the terms and conditions of the Original Indenture, as supplemented by this Thirteenth Supplemental Indenture.

Section 2.02. *Governing Law.* This Thirteenth Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 2.03. *Trustee Makes No Representation.* The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity, enforceability or sufficiency of this Thirteenth Supplemental Indenture or for or in respect of the recitals contained herein, all of which are made solely by the Company and Petrobras.

Section 2.04. *Effect of Headings.* The section headings herein are for convenience only and shall not affect the construction of this Thirteenth Supplemental Indenture.

Section 2.05. *Counterparts.* The parties may sign any number of copies of this Thirteenth Supplemental Indenture. Each signed copy shall be an original, but all of them shall represent the same agreement.

Section 2.06. *Additional Trustee Provisions.*

(a) The permissive rights of the Trustee enumerated herein shall not be construed as duties.

(b) In no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(c) Notwithstanding anything herein to the contrary neither the Trustee nor any of its the agents shall incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee or its respective agent, as applicable, (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism, fire, riot, strikes or work stoppages for any reason, embargos, government action or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

Section 2.07. *Waiver of Jury Trial.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE OR THE NOTES.

[SIGNATURE PAGE TO FOLLOW IMMEDIATELY]

IN WITNESS WHEREOF, the parties have caused this Thirteenth Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

PETROBRAS INTERNATIONAL FINANCE COMPANY

By: /s/ Sérgio Túlio da R. Tinoco

Name: Sérgio Túlio da R. Tinoco

Title: Chief Financial Officer

PETRÓLEO BRASILEIRO S.A. – PETROBRAS

By: /s/ Neyde Sáfyadi

Name: Neyde Sáfyadi

Title: General Manager of Corporate Finance

WITNESSES:

1. _____

Name:

2. /s/ Hernani M. Fortuna

Name: Hernani M. Fortuna

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ John T. Needham, Jr.

Name: John T. Needham, Jr.

Title: Vice President

WITNESSES:

1. /s/ Karon Greene

Name: Karon Greene

2. /s/ Catherine F. Donohue

Name: Catherine F. Donohue

STATE OF NEW YORK)
)
COUNTY OF NEW YORK) ss:

On this 10th day of February 2012, before me, a notary public within and for said county, personally appeared John T. Needham, Jr., to me personally known, who being duly sworn, did say that he is a Vice President of The Bank of New York Mellon, one of the persons described in and which executed the foregoing instrument, and acknowledges said instrument to be the free act and deed of said entity.

On this 10th day of February 2012, before me personally came Karon Greene and Catherine F. Donohue to me personally known, who being duly sworn, did say that they signed their names to the foregoing instrument as witnesses.

[Notarial Seal]

 /s/ Danny Lee
Notary Public
COMMISSION EXPIRES

LIST OF SUBSIDIARIES

List of subsidiaries of Petróleo Brasileiro S.A. – PETROBRAS

Subsidiary companies	Total capital	Voting capital	Country of incorporation	Activity
Petrobras Química S.A. – Petroquisa and subsidiaries	100.00	100.00	Brazil	Petrochemical
Petrobras Distribuidora S.A. – BR and subsidiaries	100.00	100.00	Brazil	Distribution
Braspetro Oil Services Company – Brasoil and subsidiaries	100.00	100.00	Cayman Islands	International operations
Braspetro Oil Company – BOC and subsidiaries	99.99	99.99	Cayman Islands	International operations
Petrobras International Braspetro B.V. – PIBBV and subsidiaries	100.00	100.00	The Netherlands	International operations
Petrobras Comercializadora de Energia Ltda. – PBEN	100.00	100.00	Brazil	Energy
Petrobras Negócios Eletrônicos S.A. – E-PETRO	100.00	100.00	Brazil	Corporate
Petrobras Gás S.A. – Gaspetro and subsidiaries	99.99	99.99	Brazil	Gas transportation
Petrobras International Finance Company – PifCo and subsidiaries	100.00	100.00	Cayman Islands	International commercialization and financing
Petrobras Transporte S.A. – Transpetro and subsidiaries	100.00	100.00	Brazil	Transportation
Downstream Participações S.A. and subsidiary	99.99	99.99	Brazil	Refining and distribution
Petrobras Netherlands B.V. – PNBV and subsidiaries	100.00	100.00	The Netherlands	Exploration and production
5283 Participações Ltda.	100.00	100.00	Brazil	Energy
Fundo de Investimento Imobiliário RB Logística – FII	99.00	99.00	Brazil	Corporate
Baixada Santista Energia Ltda.	100.00	100.00	Brazil	Energy
Sociedade Fluminense de Energia Ltda. – SFE	100.00	100.00	Brazil	Energy
Termoceaná Ltda.	100.00	100.00	Brazil	Energy
Termomacaé Ltda.	100.00	100.00	Brazil	Energy
Termomacaé Comercializadora de Energia Ltda.	100.00	100.00	Brazil	Energy
Termobahia S.A.	98.85	98.85	Brazil	Energy
Ibiritermo S.A.	50.00	50.00	Brazil	Energy
Petrobras Biocombustível S.A.	100.00	100.00	Brazil	Production of ethanol, biodiesel and energy
Refinaria Abreu e Lima S.A.	100.00	100.00	Brazil	Refining and trading
Companhia Locadora de Equipamentos Petrolíferos S.A. – CLEP	100.00	100.00	Brazil	Exploration and production
Comperj Participações S.A.	100.00	100.00	Brazil	Petrochemical
Comperj Estirênicos S.A.	100.00	100.00	Brazil	Petrochemical
Comperj MEG S.A.	100.00	100.00	Brazil	Petrochemical
Comperj Poliolefinas S.A.	100.00	100.00	Brazil	Petrochemical
Cordoba Financial Services GmbH – CFS and subsidiary	100.00	100.00	Austria	Corporate
Breitener Energética S.A.	65.00	65.00	Brazil	Energy
Cayman Cabiunas Investment CO.	100.00	100.00	Cayman Islands	Exploration and production
Innova S.A.	100.00	100.00	Brazil	Petrochemical
Companhia de Desenvolvimento de Plantas Utilidades S.A. – CDPU	100.00	100.00	Brazil	Utilities center
Companhia de Recuperação Secundária S.A. – CRSEC	100.00	100.00	Brazil	Exploration and production

Special purpose entities consolidated according to FIN 46(R)

	Total capital	Voting capital	Country of incorporation	Activity
Companhia de Desenvolvimento e Modernização de Plantas Industriais – CDMPI	0.00	0.00	Brazil	Refining
PDET Offshore S.A.	0.00	0.00	Brazil	Exploration and production
Nova Transportadora do Nordeste S.A. – NTN	0.00	0.00	Brazil	Transportation
Nova Transportadora do Sudeste S.A. – NTS	0.00	0.00	Brazil	Transportation
Charter Development LLC – CDC	0.00	0.00	USA	Exploration and production
Fundo de Investimento em Direitos Creditórios Não-padronizados do Sistema Petrobras	0.00	0.00	Brazil	Corporate

List of subsidiaries of Petrobras International Finance Company

Subsidiary companies	Total capital	Voting capital	Country of incorporation	Activity
Petrobras Finance Limited – PFL	100.00	100.00	Cayman Islands	International commercialization
BEAR Insurance Company Limited	100.00	100.00	Bermuda	Insurance

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) AS ADOPTED
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Maria das Graças Silva Foster, certify that:

1. I have reviewed this annual report on Form 20-F of Petróleo Brasileiro S.A. – PETROBRAS (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;
-

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2012

/s/ Maria das Graças Silva Foster
Maria das Graças Silva Foster
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) AS ADOPTED
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Almir Guilherme Barbassa, certify that:

1. I have reviewed this annual report on Form 20-F of Petróleo Brasileiro S.A. – PETROBRAS (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;
-

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2012

/s/ Almir Guilherme Barbassa
Almir Guilherme Barbassa
Chief Financial Officer and

Chief Investor Relations Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) AS ADOPTED
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Daniel Lima de Oliveira, certify that:

1. I have reviewed this annual report on Form 20-F of Petrobras International Finance Company – PifCo (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;
-

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2012

/s/ Daniel Lima de Oliveira
Daniel Lima de Oliveira
Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) AS ADOPTED
UNDER SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Sérgio Túlio da Rosa Tinoco, certify that:

1. I have reviewed this annual report on Form 20-F of Petrobras International Finance Company – PifCo (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;
-

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: March 30, 2012

/s/ Sérgio Túlio da Rosa Tinoco
Sérvio Túlio da Rosa Tinoco
Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Petróleo Brasileiro S.A. - PETROBRAS (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2011 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2012
Maria das Graças Silva Foster

/s/ Maria das Graças Silva Foster
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT**

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Petróleo Brasileiro S.A. - PETROBRAS (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2011 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2012

/s/ Almir Guilherme Barbassa
Almir Guilherme Barbassa
Chief Financial Officer and
Chief Investor Relations Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Petrobras International Finance Company - PifCo (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2011 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2012

/s/ Daniel Lima de Oliveira
Daniel Lima de Oliveira
Chairman and Chief Executive

Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED

PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Petrobras International Finance Company - PifCo (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2011 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 30, 2012

/s/ Sérgio Túlio da Rosa Tinoco
Sérvio Túlio da Rosa Tinoco
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

KPMG Auditores Independentes	Central Tel	55 (21) 3515-9400
Av. Almirante Barroso, 52 — 4º	Fax	55 (21) 3515-9000
20031-000 — Rio de Janeiro, RJ — Brasil	Internet	www.kpmg.com.br

Caixa Postal 2888
20001-970 — Rio de Janeiro, RJ — Brasil

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (No. 333-163665) on Form F-3 of Petróleo Brasileiro S.A.—Petrobras of our report dated March 30, 2012, with respect to the consolidated balance sheets of Petróleo Brasileiro S.A.—Petrobras and subsidiaries as of December 31, 2011, 2010 and 2009, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011 and the internal control over financial reporting as of December 31, 2011, which report appears in the December 31, 2011 combined annual report on Form 20-F of Petróleo Brasileiro S.A.—Petrobras and Petrobras International Finance Company and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG Auditores Independentes
KPMG Auditores Independentes

Rio de Janeiro, Brazil
March 30, 2012

KPMG Auditores Independentes	Central Tel	55 (21) 3515-9400
Av. Almirante Barroso, 52 - 4º	Fax	55 (21) 3515-9000
20031-000 - Rio de Janeiro, RJ - Brasil	Internet	www.kpmg.com.br
Caixa Postal 2888		
20001-970 - Rio de Janeiro, RJ - Brasil		

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (No. 333-163665-01) on Form F-3 of Petrobras International Finance Company — PifCo of our report dated March 30, 2012, with respect to the consolidated balance sheets of Petrobras International Finance Company and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholder's deficit and cash flows for each of the years in the two-year period ended December 31, 2011 and the internal control over financial reporting as of December 31, 2011, which report appears in the December 31, 2011 combined annual report on Form 20-F of Petróleo Brasileiro S.A. — Petrobras and Petrobras International Finance Company and to the reference to our firm under the heading "Experts" in the prospectus.

/s/ KPMG Auditores Independentes
KPMG Auditores Independentes

Rio de Janeiro, Brazil
March 30, 2012

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

March 30, 2012

Petróleo Brasileiro S.A.
Av. Republica do Chile 330
9th floor – Centro
CEP 20031-170
Rio de Janeiro, RJ – Brazil

Ladies and Gentlemen:

We hereby consent to the references to DeGolyer and MacNaughton as set forth under the headings “Presentation of Information Concerning Reserves,” “Item 4 – Information on the Company—Additional Reserves and Production Information—Internal Controls over Proved Reserves,” and “Item 19—Exhibits” in the Annual Report on Form 20-F of Petróleo Brasileiro S.A.—Petrobras for the year ended December 31, 2011 (the Annual Report). We further consent to the inclusion of our two third-party letter reports dated February 29, 2012 and March 8, 2012 in the Annual Report. One third-party letter report contains opinions regarding our comparison of estimates prepared by us with those furnished to us by Petrobras of the net proved crude oil, condensate, and natural gas reserves, as of December 31, 2011, of certain properties owned by Petrobras in Brazil and offshore from Brazil. The other third-party letter report contains our independent estimates of the net proved crude oil, natural gas liquids (NGL), and natural gas reserves, as of December 31, 2011, of certain properties owned by Petrobras in South America (outside of Brazil).

We further consent to the references to our firm as set forth in the Registration Statement on Form F-3, Registration Nos. 333-163665 and 333-163665-01, of Petróleo Brasileiro S.A.—Petrobras and Petrobras International Finance Company (together, the “Registrants”), under the heading “Experts,” and to the incorporation by reference to the other references to our firm contained in the Annual Report of the Registrants on Form 20-F for the year ended December 31, 2011, under the headings “Presentation of Information Concerning Reserves,” “Item 4—Information on the Company—Overview of the Group,” and “Item 19—Exhibits.”

Very truly yours,

/s/DeGOLYER and MacNAUGHTON
DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

DeGolyer and MacNaughton

5001 Spring Valley Road
Suite 800 East

Dallas, Texas 75244

February 29, 2012

Petróleo Brasileiro S.A.
Av. República do Chile 330
9th floor – Centro
CEP 20031-170
Rio de Janeiro – RJ-Brazil

Gentlemen:

Pursuant to your request, we have conducted a reserves audit of the net proved crude oil, condensate, and natural gas reserves, as of December 31, 2011, of certain properties owned by Petróleo Brasileiro S.A. (Petrobras). The properties are located in Brazil and offshore from Brazil. This audit was completed on February 29, 2012. Petrobras has represented that these properties account for 95.5 percent on a net equivalent barrel basis of Petrobras' net proved reserves as of December 31, 2011, and that the net proved reserves estimates have been prepared in accordance with the reserves definitions of Rules 4–10(a) (1)–(32) of Regulation S–X of the Securities and Exchange Commission (SEC) of the United States. We have reviewed information provided to us by Petrobras that it represents to be Petrobras' estimates of the net reserves, as of December 31, 2011, for the same properties as those which we audited. This report was prepared in accordance with guidelines specified in Item 1202 (a)(8) of Regulation S-K and is to be used for inclusion in certain SEC filings by Petrobras.

Reserves included herein are expressed as net reserves as represented by Petrobras. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2011. Net reserves are defined as that portion of the gross reserves attributable to the interests owned by Petrobras after deducting all interests owned by others.

Estimates of oil, condensate, and natural gas should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this audit were obtained from reviews with Petrobras personnel, Petrobras files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Petrobras with respect to property interests, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

Estimates of reserves were prepared by the use of appropriate geologic, petroleum engineering, and auditing principles and techniques that are in accordance with practices generally recognized by the petroleum industry as presented in the publication of the Society of Petroleum Engineers entitled "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information (Revision as of February 19, 2007)." The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

When applicable, the volumetric method was used to estimate the original oil in place (OOIP) and the original gas in place (OGIP). Structure and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation. When adequate data were available and when circumstances justified, material balance and other engineering methods were used to estimate OOIP or OGIP.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP or OGIP. These recovery factors were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material balance and other engineering methods were used to estimate recovery factors. An analysis of reservoir performance, including production rate, reservoir pressure, and gas-oil ratio behavior, was used in the estimation of reserves.

For depletion-type reservoirs or those whose performance disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In the analyses of production-decline curves, reserves were estimated only to the limits of economic production or to the limit of the production licenses as appropriate.

Definition of Reserves

Petroleum reserves estimated by Petrobras included in this report are classified as proved. Only proved reserves have been audited for this report. Reserves classifications used by Petrobras in this report are in accordance with the reserves definitions of Rules 4-10(a) (1)-(32) of Regulation S-X of the SEC. Reserves are judged to be economically producible in future years from known reservoirs under existing economic and operating conditions and assuming continuation of current regulatory practices using conventional production methods and equipment. In the analyses of production-decline curves, reserves were estimated only to the limit of economic rates of production under existing economic and operating conditions using prices and costs consistent with the effective date of this report, including consideration of changes in existing prices provided only by contractual arrangements but not including escalations based upon future conditions. The petroleum reserves are classified as follows:

Proved oil and gas reserves – Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12- month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Developed oil and gas reserves – Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

- (i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
- (ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Undeveloped oil and gas reserves – Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

- (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.
-

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in [section 210.4–10 (a) Definitions], or by other evidence using reliable technology establishing reasonable certainty.

Primary Economic Assumptions

The following economic assumptions were used for estimating existing and future prices and costs:

Oil and Condensate Prices

Petrobras has represented that the oil and condensate prices were based on a reference price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. Petrobras supplied differentials by field to a Brent reference price of \$111.27 per barrel and the prices were held constant thereafter. The volume-weighted average price attributable to estimated proved reserves for the fields that were audited was \$100.21 per barrel. These prices were not escalated for inflation.

Natural Gas Prices

Petrobras has represented that the natural gas prices were based on a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. The volume-weighted average price for the fields that were audited was \$6.72 per thousand cubic feet (Mcf). This price was based on contract prices and a 12-month average regulation price from the Brazilian National Petroleum Agency (ANP) of \$8.64 per Mcf for North-Northeast fields and \$7.42 per Mcf for South-Southeast fields. The ANP regulation prices were provided by Petrobras and are the prices disclosed by the ANP to upstream operators for payment of royalties and taxes. These prices were not escalated for inflation.

Operating Expenses and Capital Costs

Operating expenses and capital costs, based on information provided by Petrobras, were used in estimating future costs required to operate the properties. In certain cases, future costs, either higher or lower than existing costs, may have been used because of anticipated changes in operating conditions. These costs were not escalated for inflation.

While the oil and gas industry may be subject to regulatory changes from time to time that could affect an industry participant's ability to recover its oil and gas reserves, we are not aware of any such governmental actions which would restrict the recovery of the December 31, 2011, estimated oil and gas volumes. The reserves estimated in this report can be produced under current regulatory guidelines.

Petrobras has represented that its estimated net proved reserves attributable to the reviewed properties are based on the definitions of proved reserves of the SEC. Petrobras represents that its estimates of the net proved reserves attributable to these properties which represent 95.5 percent of Petrobras' reserves on a net equivalent basis are as follows, expressed in millions of barrels (MMbbl), billions of cubic feet (Bcf), and millions of barrels of oil equivalent (MMboe):

**Estimated by Petrobras
Net Proved Reserves as of
December 31, 2011**

	Oil and Condensate (MMbbl)	Natural Gas (Bcf)	Oil Equivalent (MMboe)
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Reviewed by DeGolyer and MacNaughton

Brazil			
Total Proved	9,950	10,527	11,704

Note: Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.

In our opinion, the information relating to estimated proved reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared in accordance with Paragraphs 932-235-50-6, 932-235-50-7, and 932-235-50-9 of the Accounting Standards Update 932-235-50, *Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures* (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b), 1201, and 1202(a) (1), (2), (3), (4), (8) of Regulation S–K of the Securities and Exchange Commission.

To the extent the above-enumerated rules, regulations, and statements require determinations of an accounting or legal nature, we, as engineers, are necessarily unable to express an opinion as to whether the above-described information is in accordance therewith or sufficient therefor.

In comparing the detailed net proved reserves estimates prepared by us and by Petrobras, we have found differences, both positive and negative resulting in an aggregate difference of 4.17 percent when compared on the basis of net equivalent barrels. It is our opinion that the net proved reserves estimates prepared by Petrobras on the properties reviewed by us and referred to above, when compared on the basis of net equivalent barrels, in aggregate, do not differ materially from those prepared by us.

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1936. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in Petrobras. Our fees were not contingent on the results of our audit. This letter report has been prepared at the request of Petrobras. DeGolyer and MacNaughton has used all assumptions, data, procedures, and methods that it considers necessary and appropriate to prepare this report.

Submitted,

s/ DeGOLYER and MacNAUGHTON

DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716

[SEAL]

/s/ Thomas C. Pence, P.E.

Thomas C. Pence, P.E.

Senior Vice President

DeGolyer and MacNaughton

CERTIFICATE of QUALIFICATION

I, Thomas C. Pence, Petroleum Engineer with DeGolyer and MacNaughton, 5001 Spring Valley Road, Suite 800 East, Dallas, Texas, 75244 U.S.A., hereby certify:

1. That I am a Senior Vice President with DeGolyer and MacNaughton, which company did prepare the letter report addressed to Petrobras dated February 29, 2012, and that I, as Senior Vice President, was responsible for the preparation of this report.
2. That I attended Texas A&M University, and that I graduated with a Bachelor of Science degree in Petroleum Engineering in the year 1982; that I am a Registered Professional Engineer in the State of Texas; that I am a member of the International Society of Petroleum Engineers; and that I have in excess of 29 years of experience in oil and gas reservoir studies and reserves evaluations.

[SEAL]

/s/ Thomas C. Pence, P.E.

Thomas C. Pence, P.E.
Senior Vice President
DeGolyer and MacNaughton

DeGolyer and MacNaughton

5001 Spring Valley Road

Suite 800 East

Dallas, Texas 75244

March 8, 2012

Petróleo Brasileiro S.A.
Av. República do Chile 330
9th floor – Centro
CEP 20031-170
Rio de Janeiro – RJ-Brazil

Gentlemen:

Pursuant to your request, we have conducted a reserves evaluation of the net proved crude oil, natural gas liquids (NGL), and natural gas reserves, as of December 31, 2011, of certain selected properties in South America (outside of Brazil) owned by Petróleo Brasileiro S.A. (Petrobras). This evaluation was completed on March 8, 2012. Petrobras has represented that these properties account for 53 percent on a net equivalent barrel basis of Petrobras' net proved reserves in operated fields outside of Brazil as of December 31, 2011. The net proved reserves estimates prepared by us have been prepared in accordance with the reserves definitions of Rules 4–10(a) (1)–(32) of Regulation S–X of the Securities and Exchange Commission (SEC) of the United States. This report was prepared in accordance with guidelines specified in Item 1202 (a)(8) of Regulation S–K and is to be used for inclusion in certain SEC filings by Petrobras.

Reserves included herein are expressed as net reserves. Gross reserves are defined as the total estimated petroleum to be produced from these properties after December 31, 2011. Net reserves are defined as that portion of the gross reserves attributable to the interests owned by Petrobras after deducting all interests owned by others.

Estimates of oil, NGL, and natural gas should be regarded only as estimates that may change as further production history and additional information become available. Not only are such reserves estimates based on that information which is currently available, but such estimates are also subject to the uncertainties inherent in the application of judgmental factors in interpreting such information.

Data used in this evaluation were obtained from reviews with Petrobras personnel, Petrobras files, from records on file with the appropriate regulatory agencies, and from public sources. In the preparation of this report we have relied, without independent verification, upon such information furnished by Petrobras with respect to property interests, production from such properties, current costs of operation and development, current prices for production, agreements relating to current and future operations and sale of production, and various other information and data that were accepted as represented. A field examination of the properties was not considered necessary for the purposes of this report.

Methodology and Procedures

Estimates of reserves were prepared by the use of appropriate geologic, petroleum engineering, and evaluation principles and techniques that are in accordance with practices generally recognized by the petroleum industry as presented in the publication of the Society of Petroleum Engineers entitled "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information (Revision as of February 19, 2007)." The method or combination of methods used in the analysis of each reservoir was tempered by experience with similar reservoirs, stage of development, quality and completeness of basic data, and production history.

When applicable, the volumetric method was used to estimate the original oil in place (OOIP) and the original gas in place (OGIP). Structure and isopach maps were constructed to estimate reservoir volume. Electrical logs, radioactivity logs, core analyses, and other available data were used to prepare these maps as well as to estimate representative values for porosity and water saturation. When adequate data were available and when circumstances justified, material balance and other engineering methods were used to estimate OOIP or OGIP.

Estimates of ultimate recovery were obtained after applying recovery factors to OOIP or OGIP. These recovery factors were based on consideration of the type of energy inherent in the reservoirs, analyses of the petroleum, the structural positions of the properties, and the production histories. When applicable, material balance and other engineering methods were used to estimate recovery factors. An analysis of reservoir performance, including production rate, reservoir pressure, and gas-oil ratio behavior, was used in the estimation of reserves.

For depletion-type reservoirs or those whose performance disclosed a reliable decline in producing-rate trends or other diagnostic characteristics, reserves were estimated by the application of appropriate decline curves or other performance relationships. In the analyses of production- decline curves, reserves were estimated only to the limits of economic production or to the limit of the production licenses as appropriate.

Definition of Reserves

Petroleum reserves estimated by us included in this report are classified as proved. Only proved reserves have been evaluated for this report. Reserves classifications used by us in this report are in accordance with the reserves definitions of Rules 4–10(a) (1)–(32) of Regulation S–X of the SEC. Reserves are judged to be economically producible in future years from known reservoirs under existing economic and operating conditions and assuming continuation of current regulatory practices using conventional production methods and equipment. In the analyses of production-decline curves, reserves were estimated only to the limit of economic rates of production under existing economic and operating conditions using prices and costs consistent with the effective date of this report, including consideration of changes in existing prices provided only by contractual arrangements but not including escalations based upon future conditions. The petroleum reserves are classified as follows:

Proved oil and gas reserves – Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes:

(A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12- month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Developed oil and gas reserves – Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

- (i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
- (ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Undeveloped oil and gas reserves – Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

- (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.
 - (ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.
 - (iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in [section 210.4–10 (a) Definitions], or by other evidence using reliable technology establishing reasonable certainty.
-

Primary Economic Assumptions

The following economic assumptions were used for estimating existing and future prices and costs:

Oil and Natural Gas Liquids Prices

Petrobras has represented that the oil and NGL prices were based on a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period, unless prices are defined by contractual arrangements. Petrobras provided these 12-month average prices by field, each including differentials to the West Texas Intermediate reference price of U.S.\$96.23 per barrel. The 12-month average adjusted product prices were U.S.\$61.70 per barrel for crude oil and U.S.\$30.49 per barrel for LPG. These prices were not escalated for inflation.

Natural Gas Prices

Petrobras has represented that the natural gas prices were defined by contractual arrangements. The average adjusted product price, provided by Petrobras, was U.S.\$2.32 per thousand cubic feet. These prices were not escalated for inflation.

Operating Expenses and Capital Costs

Operating expenses and capital costs, based on information provided by Petrobras, were used in estimating future costs required to operate the properties. In certain cases, future costs, either higher or lower than existing costs, may have been used because of anticipated changes in operating conditions. These costs were not escalated for inflation.

While the oil and gas industry may be subject to regulatory changes from time to time that could affect an industry participant's ability to recover its oil and gas reserves, we are not aware of any such governmental actions which would restrict the recovery of the December 31, 2011, estimated oil and gas volumes. The reserves estimated in this report can be produced under current regulatory guidelines.

Our estimates of Petrobras' net proved reserves attributable to the reviewed properties are based on the definitions of proved reserves of the SEC and are as follows, expressed in millions of barrels (MMbbl), millions of cubic feet (MMcf), and millions of barrels of oil equivalent (MMboe):

	Estimated by DeGolyer and MacNaughton Net Proved Reserves as of December 31, 2011		
	Oil and NGL (MMbbl)	Natural Gas (MMcf)	Oil Equivalent (MMboe)
South America (outside of Brazil)			
Proved Developed	47.855	359,839	107.828
Proved Undeveloped	<u>14.832</u>	<u>371,600</u>	<u>76.765</u>
Total Proved South America (outside of Brazil)	62.687	731,439	184.593

Notes:

1. Gas is converted to oil equivalent using a factor of 6,000 cubic feet of gas per 1 barrel of oil equivalent.
2. Of the total 184.593 MMboe net proved reserves, 100-percent is directly related to Petrobras' operated fields.
3. Reserves are in Argentina only.
4. Net reserves include the 77 percent consolidated interest owned by Petrobras Argentina S.A. and Petrobras Entre Lomas S.A. in the Entre Lomas, Bajada del Palo, and Aqua Amarga fields.

In our opinion, the information relating to estimated proved reserves of oil, condensate, natural gas liquids, and gas contained in this report has been prepared in accordance with Paragraphs 932-235-50-4, 932-235-50-6, 932-235-50-7, and 932-235-50-9 of the Accounting Standards Update 932-235-50, *Extractive Industries – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures* (January 2010) of the Financial Accounting Standards Board and Rules 4–10(a) (1)–(32) of Regulation S–X and Rules 302(b), 1201, 1202(a) (1), (2), (3), (4), (8), and 1203(a) of Regulation S–K of the Securities and Exchange Commission; provided, however, that estimates of proved developed and proved undeveloped reserves are not presented at the beginning of the year.

To the extent the above-enumerated rules, regulations, and statements require determinations of an accounting or legal nature, we, as engineers, are necessarily unable to express an opinion as to whether the above-described information is in accordance therewith or sufficient therefor.

DeGolyer and MacNaughton is an independent petroleum engineering consulting firm that has been providing petroleum consulting services throughout the world since 1936. DeGolyer and MacNaughton does not have any financial interest, including stock ownership, in Petrobras. Our fees were not contingent on the results of our evaluation. This letter report has been prepared at the request of Petrobras. DeGolyer and MacNaughton has used all assumptions, data, procedures, and methods that it considers necessary and appropriate to prepare this report.

Submitted,

/s/ DeGOLYER and MacNAUGHTON

DeGOLYER and MacNAUGHTON

Texas Registered Engineering Firm F-716

[SEAL]

/s/ R. M. Shuck, P.E.

R. M. Shuck, P.E.

Senior Vice President

DeGolyer and MacNaughton

CERTIFICATE of QUALIFICATION

I, R. M. Shuck, Petroleum Engineer with DeGolyer and MacNaughton, 5001 Spring Valley Road, Suite 800 East, Dallas, Texas, 75244 U.S.A., hereby certify:

3. That I am a Senior Vice President with DeGolyer and MacNaughton, which company did prepare the letter report addressed to Petrobras dated March 8, 2012, and that I, as Senior Vice President, was responsible for the preparation of this report.
4. That I attended the University of Houston, and that I graduated with a Bachelor of Science degree in Chemical Engineering in the year 1977; that I am a Registered Professional Engineer in the State of Texas; that I am a member of the International Society of Petroleum Engineers; and that I have in excess of 34 years of experience in oil and gas reservoir studies and reserves evaluations.

[SEAL]

/s/ R. M. Shuck, P.E.

R. M. Shuck, P.E.
Senior Vice President
DeGolyer and MacNaughton

Form 20-F

PETROBRAS - PETROLEO BRASILEIRO SA - PBR.A

Filed: April 02, 2012 (period: December 31, 2011)

Annual and transition report of foreign private issuers under sections 13 or 15(d)