

PETROBRAS INTERNATIONAL FINANCE CO

Form 20-F

May 22, 2009

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**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, 2008**

**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 Island
(Jurisdiction of incorporation or organization)**

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

Title of each class:

Name of each exchange on which registered:

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Petrobras Common Shares, without par value	New York Stock Exchange*
Petrobras American Depositary Shares, or ADSs (evidenced by American Depositary Receipts, or ADRs), each representing 2 Common Shares	New York Stock Exchange
Petrobras Preferred Shares, without par value* Petrobras American Depositary Shares (as evidenced by American Depositary Receipts), each representing 2 Preferred Shares	New York Stock Exchange* New York Stock Exchange
6.125% Global Notes due 2016, 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

* 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:

9.750% Senior Notes due 2011, issued by PifCo
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

The number of outstanding shares of each class of stock of Petrobras and PifCo as of December 31, 2008 was:

5,073,347,344 Petrobras Common Shares, without par value
3,700,729,396 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). N/A

Yes 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:

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

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

- our ability to obtain financing;
- general economic and business conditions, including crude oil and other commodity prices, refining margins and prevailing exchange rates;
- global economic conditions and the current global credit crisis;
- our ability to find, acquire or gain access to additional reserves and to successfully develop our current ones;
- uncertainties inherent in making estimates of our oil and gas reserves including recently discovered oil and gas reserves;
- competition;
- technical difficulties in the operation of our equipment and the provision of our services;
- changes in, or failure to comply with, laws or regulations;
- receipt of governmental approvals and licenses;

international and Brazilian political, economic and social developments; military operations, acts of terrorism or sabotage, wars or embargoes;

the cost and availability of adequate insurance coverage; and

other factors discussed below under Risk Factors.

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

All forward-looking statements are expressly qualified in their entirety by this cautionary statement, and you should not place reliance on any forward-looking statement contained in this annual report. 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's operations, which consist principally of purchases and sales of crude oil and oil products, are described in further detail below.

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:

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.
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 temperatures and pressures.
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
FPSO	Floating Production, Storage and Offloading Unit.
FPU	Floating Production Unit.
FSO	Floating Storage and Offloading Unit.
FSRU	Floating Storage and Regasification Unit, a vessel that receives liquefied natural gas and converts it into gas suitable for use or transmission by pipeline.
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.
NGLs	Natural gas liquids, which are light hydrocarbon substances produced with natural gas, which condense into liquid at normal temperatures and pressures.
Oil	Crude oil, including NGLs and condensates.
Pre-salt reservoir	A geological formation containing oil or natural gas deposits located beneath an evaporitic layer.

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Proved reserves	Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty are recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not escalations based upon future conditions.
Proved developed reserves	Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.
Proved undeveloped reserves	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, but 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 tests in the area and in the same reservoir. Reserves on undrilled acreage are limited to those undrilled units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it is demonstrated with certainty that there is continuity of production from the existing productive formation.
SS	Semi-submersible unit.
Ultra-deep water	Over 1,500 meters (4,921 feet) deep.

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1 acre	=	0.0040 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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bbl	Barrels
bn	Billion (thousand million)
bnbbl	Billion barrels
bncf	Billion cubic feet
bnm ³	Billion cubic meters
boe	Barrels of oil equivalent
bbl/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
mdbl	Thousand barrels
mdbl/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
mdbl	Million barrels
mdbl/d	Million barrels per day
mmboe	Million barrels of oil equivalent
mmboe/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
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 December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, and the accompanying notes, contained in this annual report have been presented in U.S. dollars and prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. See Item 5. Operating and Financial Review and Prospects and Note 2(a) to our audited consolidated financial statements. We also publish financial statements in Brazil in *reais* in accordance with the accounting principles required by Law No. 6404/76, as amended, or Brazilian Corporate Law and the regulations promulgated by the *Comissão de Valores Mobiliários* (Brazilian Securities Commission, or the CVM), or Brazilian GAAP, which differs in significant respects from U.S. GAAP.

Certain prior year amounts for 2007, 2006, 2005 and 2004 have been reclassified to conform to current year presentation standards. These reclassifications had no impact on our net income.

Our functional currency is the Brazilian *real*. As described more fully in Note 2(a) 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 Statement of Financial Accounting Standards No. 52, or SFAS 52, of the U.S. Financial Accounting Standards Board, FASB. 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.

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, have all been based on our Petrobras 2020 Strategic Plan, which covers the period from 2008 to 2020, and on our 2009-2013 Business Plan, and have been projected on a constant basis and have been translated from *reais* in 2009 at an estimated average exchange rate of R\$2.10 to U.S.\$1.00, and future calculations involving an assumed price of crude oil have been calculated using a Brent crude oil price of U.S.\$58 per barrel for 2009, U.S.\$61 per barrel for 2010, U.S.\$72 for 2011, U.S.\$74 for 2012 and U.S.\$68 per barrel for 2013, adjusted for our quality and location differences, unless otherwise stated; and

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

PifCo

PifCo's functional currency is the U.S. dollar. Substantially all of PifCo's sales are made in U.S. dollars and all of its debt is denominated in U.S. dollars. Accordingly, PifCo's audited consolidated financial statements as of December 31, 2008 and 2007, and for each of the three years in the period ended December 31, 2008, and the accompanying notes contained in this annual report have been presented in U.S. dollars and prepared in accordance with U.S. GAAP and include PifCo's wholly owned subsidiaries: Petrobras Europe Limited, Petrobras Finance Limited, Bear Insurance Company Limited (BEAR) and Petrobras Singapore Private Limited.

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RECENT DEVELOPMENTS

Since December 31, 2008, PifCo has incurred U.S.\$1,500 million of indebtedness through the issuance of notes in the international capital market and U.S.\$4,000 million of indebtedness through various credit facilities. See Item 5.

Operating and Financial Review and Prospects Liquidity and Capital Resources PifCo Long-Term Indebtedness Incurred after December 31, 2008.

On May 19, 2009, we concluded negotiations with China Development Bank for a bilateral loan in the amount of U.S.\$10 billion. The loan will have a tenor of 10 years and the proceeds will be used to finance our 2009-2013 Business Plan and to finance the acquisition of goods and services from Chinese companies.

PRESENTATION OF INFORMATION CONCERNING RESERVES

The estimates of our proved reserves of crude oil and natural gas as of December 31, 2008, included in this annual report have been calculated according to the technical definitions required by the U.S. Securities and Exchange Commission, or the SEC. DeGolyer and MacNaughton provided estimates of most of our net domestic reserves as of December 31, 2008. All reserve 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.

We also file oil and gas reserve estimates with governmental authorities in most of the countries in which we operate. On January 15, 2009, we filed reserve estimates for Brazil with the ANP, in accordance with Brazilian rules and regulations, totaling 11.9 billion barrels of crude oil and condensate and 12.7 trillion cubic feet of natural gas. The reserve estimates we filed with the ANP and those provided herein differ by approximately 27%. This difference is due to (i) the ANP requirement that we estimate proved reserves through the technical abandonment of production wells, as opposed to limiting reserve estimates to the life of our 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 3-D seismic data to establish proved reserves in Brazil and the use of

average oil prices as opposed to year-end prices 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 0.497 billion barrels of crude oil and NGLs and 2,967 billion cubic feet of natural gas, which is approximately 8.24% higher than the reserve estimates calculated under Regulation S-X, as provided herein. This difference occurs because, unlike Regulation S-X, the SPE's technical guidelines allow for the booking of our reserves in Nigeria based on certain oil recovery techniques, such as fluid injection, based on analogous fields.

In December 2008, the SEC adopted revisions to its oil and gas reporting rules in order to modernize and update the oil and gas disclosure requirements. The changes bring the reporting guidance up to date with advances made in the industry around oil and gas reserves determinations. We are studying the impact of the new SEC guidelines for reporting of our oil and gas proved reserves. The new SEC guidelines have not gone into effect and have not been used in the determination of reserves for year-end 2008.

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Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information**Selected Financial Data***Petrobras*

The following tables set forth our selected consolidated financial data, presented in U.S. dollars and prepared in accordance with U.S. GAAP. The data for each of the five years in the period ended December 31, 2008 has been derived from our audited consolidated financial statements, which were audited by KPMG Auditores Independentes for the years ended December 31, 2008, 2007 and 2006 and by Ernst & Young Auditores Independentes S/S for each of the years ended December 31, 2005 and 2004. 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.

Certain prior year amounts for 2007, 2006, 2005 and 2004 have been reclassified to conform to current year presentation standards. These reclassifications had no impact on our net income.

BALANCE SHEET DATA PETROBRAS

	As of December 31,				
	2008	2007	2006	2005	2004
	(U.S.\$ million)				
Assets:					
Total current assets	26,758	29,140	30,955	25,784	19,426
Property, plant and equipment, net	84,719	84,282	58,897	45,920	37,020
Investments in non-consolidated companies and other investments	3,198	5,112	3,262	1,810	1,862
Total non-current assets	11,020	11,181	5,566	5,124	4,774
Total assets	125,695	129,715	98,680	78,638	63,082
Liabilities and shareholders equity:					
Total current liabilities	24,756	24,468	21,976	18,161	13,328
Total long-term liabilities(1)	22,340	25,588	19,929	14,983	14,226
Long-term debt(2)	16,031	12,148	10,510	11,503	12,145

Total liabilities	63,127	62,204	52,415	44,647	39,699
Minority interest	659	2,332	1,966	1,074	877
Shareholders' equity					
Shares authorized and issued:					
Preferred share	15,106	8,620	7,718	4,772	4,772
Common share	21,088	12,196	10,959	6,929	6,929
Capital reserve and other comprehensive income	25,715	44,363	25,622	21,216	10,805
Total shareholders' equity	61,909	65,179	44,299	32,917	22,506
Total liabilities and shareholders' equity	125,695	129,715	98,680	78,638	63,082

(1) Excludes long-term debt.

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

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	For the Year Ended December 31,				
2008	2007	2006	2005	2004	
(U.S.\$ million, except for share and per share data)					
Net operating revenues	118,257	87,735	72,347	56,324	38,428
Operating income	25,294	20,451	19,844	15,085	9,711
Net income for the year(1)	18,879	13,138	12,826	10,344	6,190
Weighted average number of shares outstanding:(2)					
Common	5,073,347,344	5,073,347,344	5,073,347,344	5,073,347,344	5,073,347,344
Preferred	3,700,729,396	3,700,729,396	3,699,806,288	3,698,956,056	3,698,956,056
Operating income per:(2)					
Common and Preferred Shares	2.88	2.33	2.26	1.72	1.11
Common and Preferred ADS(3)	5.76	4.66	4.52	3.44	2.22
Basic and diluted earnings per:(1)(2)					
Common and Preferred Shares	2.15	1.50	1.46	1.18	0.71
Common and Preferred ADS(3)	4.30	3.00	2.92	2.36	1.42
Cash dividends per:(2)(4)					
Common and Preferred shares	0.47	0.35	0.42	0.34	0.21
Common and Preferred ADS(3)	0.94	0.70	0.84	0.68	0.42

(1) Our net income represents our income from continuing operations.

(2) We carried out a two-for-one stock split on April 25, 2008. Share and per share amounts for all periods give effect to the stock split.

(3) We carried out a four-for-one reverse stock split in July 2007 that changed the ratio of underlying shares to American Depositary Shares from four shares for each ADS to two shares for each ADS. Per share amounts for all periods give effect to the stock split.

(4) Represents dividends paid during the year.

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The following tables set forth PifCo's selected consolidated financial data, presented in U.S. dollars and prepared in accordance with U.S. GAAP. The data for each of the five years in the period ended December 31, 2008 have been derived from PifCo's audited consolidated financial statements, which were audited by KPMG Auditores Independentes for the years ended December 31, 2008, 2007 and 2006, and by Ernst & Young Auditores Independentes S/S for each of the years ended December 31, 2005 and 2004. 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.

BALANCE SHEET DATA PifCo

	2008	For the Year Ended December 31,			2004
		2007	2006	2005	
		(U.S.\$ million)			
Assets:					
Total current assets	30,383	28,002	19,241	13,242	11,057
Property and equipment, net	2	1	1		
Total other assets	2,918	4,867	2,079	3,507	3,613
Total assets	33,303	32,870	21,321	16,749	14,670
Liabilities and stockholder's equity:					
Total current liabilities	28,012	27,686	9,264	7,098	4,929
Total long-term liabilities(1)			7,442	3,734	3,553
Long-term debt(2)	5,884	5,187	4,640	5,909	6,152
Total liabilities	33,896	32,873	21,346	16,741	14,634
Total stockholder's (deficit) equity	(593)	(3)	(25)	8	36
Total liabilities and stockholder's equity	33,303	32,870	21,321	16,749	14,670

(1) Excludes long-term debt.

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

INCOME STATEMENT DATA PifCo

	2008	For the Year Ended December 31,			2004
		2007	2006	2005	
		(U.S.\$ million)			
Net operating revenue	42,443	26,732	22,070	17,136	12,356

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Operating (loss) income	(927)	127	(38)	(13)	20
Net (loss) income for the year	(772)	29	(211)	(28)	(59)

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Subject to certain procedures and specific regulatory provisions, there are no limitations to the purchase and sale of foreign currency and the international transfer of *reais* as long as the underlying transaction is valid. Foreign currencies may only be purchased through financial institutions domiciled in Brazil and authorized to operate in the exchange market. We cannot predict whether the Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise.

The *real* appreciated 8.1% in 2004 against the U.S. dollar and continued to appreciate 11.8% in 2005, 8.7% in 2006 and 17.2% in 2007 and 10.1% in the first half of 2008. Beginning in the second half of 2008, the *real* greatly depreciated against the U.S. dollar. The *real* depreciated 31.9% against the U.S. dollar in 2008. As of May 20, 2009, the *real* has appreciated to R\$2.020 per U.S.\$1.00, representing an appreciation of approximately 13.6% in 2009 year-to-date. The *real* may depreciate or appreciate substantially in the future. See Risk Factors Risks Relating to Brazil.

The following table provides information on the selling exchange rate, expressed in *reais* per U.S. dollar (R\$/U.S.\$), for the periods indicated. The table uses the commercial selling rate prior to March 14, 2005.

	(R\$/U.S.\$)			
	High	Low	Average(1)	Period End
Year ended December 31,				
2008	2.500	1.559	1.836	2.337
2007	2.156	1.733	1.947	1.771
2006	2.371	2.059	2.175	2.138
2005	2.762	2.163	2.435	2.341
2004	3.205	2.654	2.926	2.654
Month:				
December 2008	2.500	2.337	2.398	2.337
January 2009	2.380	2.189	2.313	2.316
February 2009	2.392	2.245	2.320	2.378
March 2009	2.422	2.238	2.313	2.315
April 2009	2.290	2.170	2.202	2.178
May 2009 (through May 20, 2009)	2.178	2.020	2.098	2.020

Source: Central Bank of Brazil

- (1) Annual average exchange rates represent the average of the month-end exchange rates during the relevant period. Monthly average exchange rates represent the average of the exchange rates at the close of trading on each business day during such period.

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee

a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. See Risk Factors Risks Relating to Brazil.

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RISK FACTORS

Risks Relating to Our Operations

Substantial or extended declines and volatility in the international prices of crude oil, oil products and natural gas may have a material adverse effect on our income

The majority of our revenue is derived primarily from sales of crude oil and oil products and, to a lesser extent, natural gas. We do not, and will not, have control over the factors affecting international prices for crude oil, oil products and natural gas. The average price of Brent crude, an international benchmark oil, was approximately U.S.\$96.99 per barrel for 2008, U.S.\$72.52 per barrel for 2007 and U.S.\$65.14 per barrel for 2006, and the price of Brent crude was U.S.\$41.76 per barrel on April 30, 2009. 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;
- 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;
- competition from other energy sources;
- domestic and foreign government regulations; and
- weather conditions.

Volatility and uncertainty in international prices for crude oil, oil products and natural gas may continue. 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. Significant decreases in the price of crude

oil may cause us to reduce or alter the timing of our capital expenditures, and this could adversely affect our production forecasts in the medium term and our reserve estimates in the future. In addition, our pricing policy in Brazil is intended to be at parity with international product prices over the long term. In general we do not adjust our prices for diesel, gasoline and LPG during periods of volatility in the international markets. As a result, material rapid or sustained increases in the international price of crude oil and oil products may result in reduced downstream margins for us, and we may not realize all the gains that our competitors realize in periods of higher international prices.

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

Our ability to achieve our long-term growth objectives, including those defined in our 2009-2013 Business Plan, is highly dependent upon our ability to obtain new concessions through new bidding rounds and discover additional reserves, as well as to successfully develop our existing reserves. We will need to make substantial investments to achieve the growth targets set forth in our 2009-2013 Business Plan and we cannot assure you we will be able to raise the required capital.

Further, our competitive advantage in bidding rounds for new concessions in Brazil has diminished over the years as a result of the increased competition in the oil and gas sector in Brazil. In addition, our exploration activities 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 accidents, and shortages or delays in the availability of drilling rigs and the delivery of equipment) may cause drilling operations to be curtailed, delayed or cancelled. These risks are heightened when we drill in deep and ultra-deep water. Deep and ultra-deepwater drilling represented approximately 35% of the exploratory wells we drilled in 2008.

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Unless we conduct successful exploration and development activities or acquire properties containing proved reserves, or both, and are able to raise the necessary capital to fund these activities, our proved reserves will decline as reserves are extracted. If we fail to gain access to additional reserves we may not achieve our goals for production growth for 2009 through 2013 and our results of operations and financial condition may be adversely affected.

The current global financial crisis and uncertain economic environment have led to lower oil prices that, if sustained, may reduce our cash flow and make it difficult for us to achieve our growth objectives as defined in our 2009-2013 Business Plan.

The current global financial crisis and uncertain economic environment that worsened in the second half of 2008 have led to a worldwide decrease in demand for oil products. As a result, prices for oil products have fallen and our cash flows have been reduced. If oil prices remain low, we may be required to revise our growth objectives, particularly in light of substantial decreases in the availability of credit in the capital markets. The global financial and economic situation may also have a negative impact on third parties with whom we do, or may do, business. Any of these factors may affect our results of operations, financial condition and liquidity.

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

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

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). 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 may not have sufficient resources to support future exploration, production and development activities in our newly discovered pre-salt reservoirs.

Exploiting our oil and gas discoveries in the pre-salt reservoirs will require substantial additional amounts of capital, human resources and a broad range of offshore oil services. A primary operational challenge will be increasing our drilling rig fleet. The availability of existing rigs is limited, as is shipyard capacity to build new drilling units. We are continually forced to prioritize between development wells and exploration wells, and we may not be able to secure as many drilling rigs as we will require to meet our exploration, production and development goals with respect to our pre-salt reservoirs.

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

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 and the environment, both in Brazil

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and in other jurisdictions in which we operate. In Brazil, we could be exposed to administrative and criminal sanctions, including warnings, fines and closure orders for non-compliance with these environmental regulations, which, among other things, limit or prohibit emissions or spills of toxic substances produced in connection with our operations. We have experienced oil spills in the past that resulted in fines by various state and federal environmental agencies, and several civil and criminal proceedings and investigations. See Item 8. Financial Information Legal Proceedings. 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) routinely inspects our oil platforms in the Campos Basin, and may impose fines, restrictions on operations or other sanctions in connection with its inspections. 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 regulations become more stringent, and as new laws and regulations relating to climate change, including carbon controls, become applicable to us, it is probable that our capital expenditures for compliance with environmental regulations and to effect improvements in our health, safety and environmental practices will increase substantially in the future. In addition, because our capital expenditures are subject to approval by the Brazilian government, increased expenditures to comply with environmental regulations could result in reductions in other strategic investments. Any substantial increase in expenditures for compliance with environmental regulations or reduction in strategic investments may have a material adverse effect on our results of operations or financial condition.

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. For example, on the grounds that drilling and production platforms may not be classified as sea-going vessels, the Brazilian Revenue Service asserted that overseas remittances for charter payments should be reclassified as lease payment and subject to a withholding tax of 25%. The Revenue Service has filed two tax assessments against us that in the aggregate, on December 31, 2008, amounted to R\$4,372 million (approximately U.S.\$1,871 million). See Item 8. Financial Information Legal Proceedings.

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. 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.

Our investment in the natural gas and domestic power markets may not generate the returns we expect.

Over the past five years, we have invested, alone or with other investors, in a number of gas-fired power plants in Brazil. These gas-fired power plants provide non-base-load capacity to the grid and tend to operate at low average utilization rates. This low utilization rate has a negative effect on our ability to provide a return on these investments.

Natural gas demand is also influenced by general economic conditions and oil prices. In the first quarter of 2009, non-thermoelectric demand for natural gas in Brazil declined 22% compared to average demand in 2008, due

primarily to a downturn in the industrial sector and lower

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international prices for crude oil and oil products, the primary alternatives to natural gas. Our natural gas prices do not immediately adjust to fluctuations in the international price of crude oil and oil products, which can make natural gas less competitive until it adjusts to lower international prices. Sustained declines in the Brazilian natural gas market may have a material adverse effect on our results of operations and financial condition.

We are also subject to fines and may lose our license to sell electricity if we are unable to fulfill our energy delivery commitments to the *Agência Nacional de Energia Elétrica ANEEL*, the Brazilian energy regulator, due to gas supply constraints. There are several factors that may affect our ability to deliver gas to our gas-fired power plants including our inability to secure supply of natural gas, problems affecting our natural gas infrastructure and increasing demand in the non-thermoelectric market. See Item 4. Information on the Company Gas and Energy Power Electricity Sales for a more detailed description of these risks.

As a result of the foregoing, our investment in the natural gas and domestic power markets has generated losses in the past and may not generate the returns we expect in the future.

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

The impacts of fluctuations in exchange rates, especially the *real*/U.S. dollar rate, on our operations are varied and may be material. The principal market for our products is Brazil, as over the last three fiscal years over 73% of our revenues have been denominated in *reais*, while some of our operating expenses and capital expenditures 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. In addition, during 2008 we imported U.S.\$22.2 billion of crude oil and oil products, the prices of which were all denominated and paid in U.S. dollars. Conversely, a substantial share of our liquid assets are held in U.S. dollar denominated assets, or indexed to the U.S. dollar, but we do not use forwards, swaps and futures contracts to mitigate the impact of changes in currency values

on our operations and financial statements because of their limited liquidity and cost.

Our recent financial statements reflect the appreciation of the *real* by 11.8%, 8.7% and 17.2% against the U.S. dollar in 2005, 2006 and 2007, respectively, and the depreciation of the *real* by 31.9% against the U.S. dollar in 2008. The weakness of the U.S. dollar against other currencies in general has also affected our results. As of May 20, 2009, the exchange rate of the *real* to the U.S. dollar was R\$2.020 per U.S.\$1.00, representing an appreciation of approximately 13.6% in 2009, year-to-date.

We are exposed to increases in prevailing market interest rates, which leaves us vulnerable to increased financing expenses.

As of December 31, 2008, approximately 66% U.S.\$17,956 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 (principally LIBOR) rise, our financing expenses will increase, which could have an adverse effect on our results of operations and financial condition.

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.

We are subject to substantial risks relating to our international operations, in particular in Latin America, West Africa and the Middle East.

We operate in a number of different countries, particularly in Latin America, West Africa and the Middle East, that can be politically, economically and socially unstable. The results of operations and financial condition of our

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subsidiaries in these countries may be adversely affected by fluctuations in their local economies, political instability and governmental actions relating to the economy, including:

- the imposition of exchange or price controls;
- the imposition of restrictions on hydrocarbon exports;
- the fluctuation of local currencies;
- the nationalization of oil and gas reserves, as experienced in recent years in Venezuela, Ecuador and Bolivia;
- increases in export tax and income tax rates for crude oil and oil products, as experienced in recent years in Argentina, Venezuela, Ecuador and Bolivia; and
- unilateral (governmental) institutional and contractual changes, including controls on investments and limitations on new projects, as experienced in recent years in Venezuela, Ecuador and Bolivia.

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.

Of the countries outside of Brazil in which we operate, Argentina is the most significant, representing 44.65% of our total international crude oil and natural gas production and 31.71% of our international proved crude oil and natural gas reserves as of December 31, 2008. The Argentine government has established export tax rates for crude oil, natural gas and oil products that have negatively affected our results of operations and financial condition. We also have significant operations in Bolivia and Venezuela that represented, respectively, 24.32% and 6.29% of our total international production in barrels of oil equivalent at December 31, 2008. Bolivia accounted for 31.02% of our international proved crude oil and natural gas reserves at December 31, 2008. On

January 25, 2009, Bolivia adopted a new constitution that prohibits private ownership of the country's oil and gas resources. In light of the new constitution, we may be required to write off some or all of our proved reserves in Bolivia at the end of 2009. 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 subsidiary of Petrobras incorporated in the Cayman Islands as an exempted company with limited liability. PifCo purchases crude oil and oil products from third parties and sells them at a premium to us on a deferred payment basis. PifCo also purchases crude oil and oil products from us and sells them outside Brazil. Accordingly, intercompany activities and transactions, and therefore PifCo's financial position and results of operations, are affected by decisions made by us. Additionally, PifCo sells and purchases crude oil and oil products to and from third parties and related parties mainly outside Brazil. Commercial operations are carried out under market conditions and at market prices. PifCo's ability to service and repay its indebtedness is consequently dependent on our own operations.

Financing for PifCo's operations is provided by us, as well as third-party credit providers in favor of whom we provide credit support. Our support to PifCo's debt obligations is made through guarantees and standby purchase agreements whereby we agree to repurchase from the holders of PifCo's notes their right to receive payment from PifCo in the event PifCo defaults on its payment obligations.

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.

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PifCo depends on its ability to pass on its financing costs to us.

PifCo is principally engaged in the purchase of crude oil and oil products for sale to us, as described above. PifCo regularly incurs indebtedness related to such purchases and/or in obtaining financing from us or third-party creditors. All such indebtedness has the benefit of a guaranty, a standby purchase obligation or other support from us, and PifCo has historically passed on its financing costs to us by selling crude oil and oil products to us at a premium to compensate for its financing costs. If for any reason we are not permitted to continue these practices, this would have a materially adverse effect on PifCo's business and on its ability to meet its debt obligations in the long term.

Risks Relating to Our Relationship with the Brazilian Government

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

The Brazilian government, as our controlling shareholder, has pursued, and may pursue in the future, certain of its macroeconomic and social objectives through us. Brazilian law requires the Brazilian government to own a majority of our voting stock, and so long as it does, the Brazilian 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 government rather than to our own economic and business objectives.

In particular, we continue to assist the Brazilian 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 government, occasionally set below prices prevailing in the world oil markets. We cannot assure you that future governments in Brazil will not reinstate price controls.

We may not be able to obtain financing for some of our planned investments, and failure to do so could adversely affect our operating results and financial condition.

The Brazilian 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 Ministry of Mines and Energy, 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 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

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

The Brazilian 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 government's response to these factors:

devaluations and other exchange rate movements;

inflation;

exchange control policies;

social instability;

price instability;

interest rates;

liquidity of domestic capital and lending markets;

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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.

We may specifically be affected by certain initiatives to increase taxation on our upstream activities. In June 2003, the State of Rio de Janeiro enacted a new tax law that imposed a Domestic State Tax (ICMS) on our upstream activities, including on import of oil and gas exploratory equipment. The State of Rio de Janeiro has never enforced this law, and its constitutionality is being challenged in the Brazilian Supreme Court (*Supremo Tribunal Federal*, or STF). In the event that the state government attempts to enforce this law and the courts uphold that enforcement, we estimate that the amount of ICMS that we would be required to pay to the State of Rio de Janeiro could increase approximately R\$10.7 billion (U.S.\$6.2 billion) per year. In addition, there have been recent initiatives in the Brazilian Congress to reform the Brazilian tax laws and there is a risk that the proposed reforms would increase taxation on our upstream activities. Due to the uncertainties related to these initiatives, we cannot quantify what our tax burden would be if the new laws or reforms were approved.

In addition, the recent discovery of large petroleum and natural gas reserves in the pre-salt geological layer of the Campos and Santos basins has prompted discussions on possible changes to the existing Oil Law. The Brazilian government has created an inter-ministerial committee to consider substantial changes in the regulation of exploration and production activities in areas of the pre-salt geological layer not subject to existing concessions. The committee has not yet made a formal recommendation to the Brazilian government, and we cannot estimate the impact that any change to the Oil Law would have on Petrobras, or when any new regulations may become effective. See Item 4.

Information on the Company Regulation of the Oil and Gas Industry in Brazil Discussions on Possible Changes to the Oil Law.

Uncertainty over whether the Brazilian government will implement these or other 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. Such changes in policies and regulations may have a material adverse effect on our results of operations and financial condition.

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

Our principal market is Brazil, which has, in the past, periodically experienced extremely high rates of inflation. Inflation, along with governmental measures to combat inflation and public speculation about possible future measures, has had significant negative effects on the Brazilian economy. The annual rates of inflation have been historically high in Brazil prior to 1995 and Brazil experienced hyperinflation in the past. As measured by the National Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*, or IPCA), Brazil had annual rates of inflation of 3.14% in 2006, 4.46% in 2007 and 5.90% in 2008. Considering the historically high rates of inflation, Brazil may experience higher levels of inflation in the future. The lower levels of inflation experienced since 1995 may not continue. Future governmental actions, including actions to adjust the value of the *real*, could trigger increases in inflation, which may adversely affect our financial condition.

Developments and the perception of risk in other countries, especially in the United States and in emerging market countries, may adversely affect the market price of Brazilian securities, including our shares and ADSs, and limit our ability to finance our operations.

The market value of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States and other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other countries or economic policies of other

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countries may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the market price of our shares and ADSs, and could limit our ability to finance our operations.

The recent global financial crisis has had significant consequences worldwide, including in Brazil, such as stock and credit market volatility, unavailability of credit, higher interest rates, a general slowdown of the world economy, volatile exchange rates and inflationary pressure, among others, which have and may continue to, directly or indirectly, adversely affect our operating results, financial position and the price of securities issued by Brazilian companies.

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 some of the most liquid in the São Paulo Stock Exchange (Bovespa), 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 U.S. 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, JPMorgan Chase Bank, N.A., as depository, 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 depository 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.

Restrictions on the movement of capital out of Brazil may impair the ability of holders of ADSs to receive dividends and distributions on, and the proceeds of any sale of, the common or preferred shares underlying the ADSs and may impact our ability to service certain debt obligations, including guarantees and standby purchase agreements we have entered into in support of PifCo s notes.

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

The Brazilian government imposed remittance restrictions for approximately six months in 1990. The Brazilian government could decide to take similar measures in the future. Similar restrictions, if imposed, could impair or prevent the conversion of dividends, distributions,

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or the proceeds from any sale of common or preferred shares from *reais* into U.S. dollars and the remittance of the U.S. dollars abroad. If such restrictions were imposed, the depository for the ADSs would hold the *reais* it cannot convert for the account of the ADS holders who have not been paid. The depository would not invest the *reais* and would not be liable for the interest.

Similar restrictions, if imposed, could also impair or prevent the conversion of payments under guaranty and standby purchase agreements supporting PifCo's notes from *reais* into U.S. dollars and the remittance of the U.S. dollars abroad. In the case that the PifCo noteholders receive payments in *reais* corresponding to the equivalent U.S. dollar amounts due under PifCo's notes, it may not be possible to convert these amounts into U.S. dollars. These restrictions, if imposed, could also prevent us from making funds available to PifCo in U.S. dollars abroad, in which case PifCo may not have sufficient U.S. dollar funds available to make payment on its debt obligations.

In addition, payments of dividends and other distributions to shareholders and payments under Petrobras' guarantees and standby purchase agreements in connection with PifCo's notes do not currently require approval by or registration with the Central Bank of Brazil. The Central Bank of Brazil may nonetheless impose prior approval requirements on the remittance of U.S. dollars abroad, which could cause delays in such payments.

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 *Conselho Monetário Nacional* (National Monetary Council), which entitles registered foreign investors to buy and sell on the São Paulo Stock Exchange. 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.

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 less developed and enforced 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

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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 depositary with voting materials on a timely basis, holders of ADSs may not be able to vote by giving instructions to the depositary 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.

Enforcement of our obligations under the standby purchase agreement might take longer than expected.

We have entered into a standby purchase agreement in support of some of PifCo's obligations under its notes and indentures. Our obligation to purchase from the PifCo noteholders any unpaid amounts of principal, interest and other amounts

due under the PifCo notes and the indenture applies, subject to certain limitations, irrespective of whether any such amounts are due at the maturity of the PifCo notes or otherwise.

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

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

If proceedings were brought in Brazil seeking to enforce our obligations in respect of the guaranty and standby purchase agreement 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.

A finding that we are subject to U.S. bankruptcy laws and that the guaranty and standby purchase agreement 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 guaranty or standby purchase agreement. We have been advised by our external U.S. counsel that the guaranty and the standby purchase agreement are 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 and the standby purchase agreement from being valid, binding and enforceable against us in accordance with their terms. In the event that U.S. federal fraudulent conveyance or similar laws are applied to the guaranty and the standby purchase agreement, and we, at the time we

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entered into the relevant guaranty or standby purchase agreement:

were or are insolvent or rendered insolvent by reason of our entry into such guaranty or standby purchase agreement;

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 therefore,

then our obligations under the guaranty and the standby purchase agreement could be avoided, or claims with respect to such agreements could be subordinated to the claims of other creditors. Among other things, a legal challenge to the guaranty and the standby purchase agreement 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 and the standby purchase agreement are 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 standby purchase agreement 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 and the standby purchase agreement.

Item 4. Information on the Company

History and Development

Petróleo Brasileiro S.A. PETROBRAS was incorporated in 1953 to conduct the Brazilian government's hydrocarbon activities. We began operations in 1954 and for approximately forty years carried out crude oil and natural gas production and refining activities in Brazil on behalf of the government.

In the 1990s, in a series of legislative actions, the Brazilian state relinquished its monopoly on oil and gas activities. On November 9, 1995, the Brazilian constitution was amended to authorize the Brazilian government to contract with any state or privately owned company to carry out upstream and downstream oil and gas activities in Brazil. On August 6, 1997, Brazil enacted the Oil Law (Law No. 9,478), which established competition in Brazilian markets for crude oil, oil products and natural gas. 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.

Our common and preferred shares have been traded on the São Paulo Stock Exchange since 1968. Petrobras was incorporated as a state-controlled company under Law No. 2,004 (effective October 3, 1953), and a majority of our voting capital must be owned by the Brazilian federal government, a state or a municipality. As of December 31, 2008, the Brazilian government owned 32.2% of our outstanding capital stock and 55.7% of our voting shares. 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. Because 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 2008, our average domestic daily hydrocarbons production was 2,176 mboe/d, an estimated 98.5% of Brazil's total. Over 84% of our proved reserves are in large, contiguous and highly productive fields in the offshore Campos Basin, which allows us to concentrate our operational infrastructure and limit our costs of exploration, development and production. In 40 years of developing Brazil's offshore basins we have developed special expertise in deepwater

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exploration and production, which we exploit both in Brazil and in other offshore oil provinces.

We operate substantially all 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 1,942 mbbbl/d is well balanced with our domestic refining production of 1,787 mbbbl/d and sales of oil products to domestic markets of 1,748 mbbbl/d. We are also involved in the production of petrochemicals and fertilizers. 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. This market has been constrained by the level of domestic gas production and our transportation and distribution infrastructure. We expect that our natural gas activities will grow in the future as we expand our production of both associated and non-associated gas, mainly from offshore fields in the Campos, Espírito Santo and Santos basins, and extend Brazil's gas transportation infrastructure. We 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.

Internationally, we are active in 23 countries. In Latin 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 only in oil and gas exploration.

Our activities comprise five business segments:

Exploration and Production: oil and gas exploration, development and production in Brazil;

Supply: downstream activities in Brazil, including refining, oil products and crude oil exports and imports, petrochemicals and fertilizers;

Distribution: distribution of oil products to wholesalers and through our BR retail network in Brazil;

Gas and Energy: gas transmission and distribution, electric power generation using natural gas and renewable energy sources and biofuels operations in Brazil; and

International: exploration and production, supply (downstream activities including refining, petrochemicals and fertilizers), distribution and natural gas and energy operations outside of Brazil.

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The following table sets forth key information for each business segment in 2008:

	2008							Group Total
	Exploration & Production	Supply	Distribution	Gas and Energy	International	Corporate(1)	Eliminations	
	(U.S.\$ million)							
Net operating revenues	59,024	96,202	30,892	8,802	10,940		(87,603)	118,257
Income (loss) before minority interest and income tax	31,657	(2,956)	1,245	(504)	(605)	(1,986)	141	26,992
Total assets at December 31	51,326	27,521	4,775	14,993	13,439	17,583	(3,942)	125,695
Capital expenditures	14,293	7,234	309	4,256	2,908	874		29,874

- (1) Our Corporate segment includes 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.

The following table sets forth our production of crude oil and natural gas by geographic area in 2008, 2007 and 2006:

	2008			2007			2006		
	Oil (mbbl/d)	Nat. Gas (mmcf/d)	Total (mboe/d)	Oil (mbbl/d)	Nat. Gas (mmcf/d)	Total (mboe/d)	Oil (mbbl/d)	Nat. Gas (mmcf/d)	Total (mboe/d)
Brazil:									
Offshore:									
Campos Basin	1,546.8	824.9	1,684.3	1,475.3	750.0	1,600.3	1,468.3	759.1	1,594.0
Other	86.5	499.5	169.7	87.8	281.8	134.8	77.4	256.5	120.0
Total offshore	1,633.3	1,324.4	1,854.0	1,563.1	1,031.8	1,735.1	1,545.7	1,015.6	1,715.0
Onshore	221.3	603.1	321.8	229.0	605.0	329.8	232.0	644.0	339.0
Total Brazil(1)	1,854.6	1,927.5	2,175.8	1,792.1	1,636.8	2,064.9	1,777.7	1,659.6	2,054.0
International:									
Argentina	51.8	289.9	100.0	54.4	285.7	102.0	62.1	274.9	107.0
Bolivia	8.4	276.4	54.5	9.3	307.3	60.5	8.9	288.9	57.0
Colombia	15.3	0.8	15.5	16.6	0.1	16.6	16.8	0.2	16.6
Ecuador	11.4	0.0	11.4	10.4	0.0	10.4	11.9	0.0	11.4
Peru	14.1	11.9	16.1	13.3	10.9	15.1	12.7	10.9	14.0
Venezuela	0.0	0.0	0.0	0.0	0.0	0.0	10.5	4.3	11.0
United States	1.9	15.7	4.5	4.7	40.8	11.5	1.4	15.9	4.0
Angola	2.6	0.0	2.6	3.6	0.0	3.6	5.3	0.0	5.0

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geria	5.3	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0
tal International	110.8	594.7	209.9	112.3	644.8	219.7	129.6	595.1	228.3
tal consolidated roduction uity and n-consolidated iliates: (2)	1,965.4	2,522.2	2,385.7	1,904.4	2,281.6	2,285.2	1,907.3	2,254.7	2,283.3
enezuela	12.8	7.8	14.1	13.9	11.5	15.9	12.6	11.5	14.1
orldwide production	1,978.2	2,530.0	2,399.8	1,918.3	2,293.1	2,300.5	1,919.9	2,266.2	2,297.4

(1) Brazilian production figures include reinjected gas volumes, which are not included in our proved reserves figures.

(2) Companies in which Petrobras has a minority interest.

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The following tables set forth our estimated net proved developed and undeveloped reserves of crude oil and natural gas by region as of December 31, 2008:

	Developed	Reserves of Crude Oil Undeveloped (mmbbl)	Total
Brazil:			
Offshore:			
Campos Basin	4,802.2	3,066.5	7,868.7
Other	116.7	107.1	223.8
Total offshore	4,918.9	3,173.6	8,092.5
Onshore	427.6	196.2	623.8
Total Brazil	5,346.5	3,369.8	8,716.3
International:			
Argentina	90.3	27.5	117.8
Bolivia	28.7	7.4	36.1
Colombia	18.3	10.3	28.6
Ecuador	5.7	0.6	6.3
Peru	46.0	54.1	100.1
United States	5.9	9.6	15.5
Angola	1.2	0.0	1.2
Nigeria	14.8	68.8	83.6
Total International	210.9	178.3	389.2
Group	5,557.4	3,548.1	9,105.5
Equity and non-consolidated affiliates(1):			
Venezuela	27.6	21.6	49.2

(1) Companies in which Petrobras has a minority interest.

	Developed	Reserves of Natural Gas Undeveloped (bncf)	Total
Brazil:			
Offshore:			
Campos Basin	2,610.3	2,005.9	4,616.2
Other	1,168.2	1,680.5	2,848.7
Total offshore	3,778.5	3,686.4	7,464.9
Onshore	1,291.4	589.7	1,881.1

Total Brazil	5,069.9	4,276.1	9,346.0
International:			
Argentina	555.4	481.8	1,037.1
Bolivia	1,040.8	448.8	1,489.6
Colombia	0.6	0.5	1.1
Ecuador	1.4	0.3	1.8
Nigeria	25.6	1.3	26.9
Peru	63.2	47.5	110.7
United States	67.9	58.3	126.2
Total International	1,754.9	1,038.5	2,793.4
Group	6,824.8	5,314.6	12,139.4
Equity and non-consolidated affiliates(1):			
Venezuela	47.3	28.4	75.7

(1) Companies in which Petrobras has a minority interest.

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 and economic data. All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the

time of the estimate and the interpretation of this data. Our estimates are thus made using the most reliable data at the time of the estimate, in accordance with the best practices in the oil and gas industry. DeGolyer and MacNaughton (D&M) reviewed and certified 94% of our domestic proved crude oil, condensate and natural gas reserve estimates as of December 31, 2008. The

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estimates for the certification were performed in accordance with Rule 4-10 of Regulation S-X of the SEC. See Supplementary Information on Oil and Gas Producing Activities beginning on page F-107 for further details on our proved reserves.

The statements contained in this Item 4 regarding exploration and development projects and production estimates are forward-looking and subject to significant risks and uncertainties. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that our actual levels of activity, production or performance will meet these expectations. See Item 3. Key Information Risk Factors.

Exploration and Production

Oil and gas exploration and production activities in Brazil are the largest component of our company portfolio. In 1970, we produced 164 mbbbl/d of crude oil, condensate and natural gas liquids in Brazil. We increased production to 181 mbbbl/d in 1980, 654 mbbbl/d in 1990, 1,271 mbbbl/d in 2000 and 1,855 mbbbl/d in 2008. In 1974 we made our first discovery in the Campos Basin offshore in Brazil, which now accounts for over 84% of our proved reserves. We aim to grow oil and gas reserves and production sustainably and be recognized for excellence in Exploration and Production operations. Our primary goals are to:

- explore and develop oil resources in increasingly deeper waters in the Campos Basin;

- 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);

- develop gas resources in the Santos Basin and elsewhere to meet Brazil's growing demand for gas and increase the contribution of domestic gas production to meeting that demand;

- explore and develop the potentially substantial pre-salt reservoirs that lie below the Espírito Santo, Campos and Santos basins; and

- sustain and increase production from onshore fields through drilling and enhanced recovery operations.

In new areas, our activities typically begin with geological research and seismic activities, followed by exploratory drilling. When this yields encouraging results, we proceed with extended well tests, development drilling and pilot production, which typically involve substantial investments. It usually takes several years for successful exploration activity to be reflected in increased reserves and production.

During 2008, our oil and gas production from Brazil averaged 2,176 mboe/d, of which 85% was oil and 15% was natural gas. On December 31, 2008, our estimated net proved crude oil and natural gas reserves in Brazil were 10.3 billion boe, of which 85% was crude oil and 15% was natural gas. Brazil provided 91% of our worldwide production in 2008 and accounted for 92% of our worldwide reserves at December 31, 2008 on a barrels of oil-equivalent basis. Historically, approximately 85% of our total Brazilian production has been oil; in the future, we plan to increase the share of natural gas to meet increasing domestic demand.

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, according to PFC Energy, an energy

consultancy. In 2008, offshore production accounted for 88% of our production and deepwater production accounted for 76% of our production in Brazil. At December 31, 2008, we operated 155 wells in water deeper than 1,000 meters (3,281 feet). By December 31, 2008, we had drilled around 322 exploratory wells in water deeper than 1,000 meters (3,281 feet). We continue to upgrade our deepwater technologies. See Item 5. Operating and Financial Review and Prospects Research and Development.

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,

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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.

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

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

Exploration and Production Key Statistics

	2008	2007 (U.S.\$ million)	2006
Exploration and Production:			
Net operating revenues	59,024	41,991	35,738
Income before minority interest and income tax	31,657	21,599	18,441
Total assets at December 31	51,326	53,175	38,366
Capital expenditures	14,293	9,448	7,329

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

Basin	Fields	Petrobras %	Type	Fluid(1)
Alagoas	Pilar/Rio Remedio	100%	Onshore	Light Oil/Natural Gas
Camamu	Manati	35%	Shallow	Natural Gas
Campos	Albacora	100%	Shallow	Intermediate Oil
			Deepwater	Intermediate Oil
	Albacora Leste	90%	Deepwater	Intermediate Oil
	Barracuda	100%	Deepwater	Intermediate Oil
	Bicudo	100%	Shallow	Intermediate Oil
	Bijupirá/Salema	22.4%(2)	Deepwater	Intermediate Oil
	Bonito	100%	Shallow	Intermediate Oil
	Carapeba	100%	Shallow	Intermediate Oil
	Caratinga	100%	Deepwater	Intermediate Oil
	Cherne	100%	Shallow	Intermediate Oil
	Corvina	100%	Shallow	Intermediate Oil
	Enchova	100%	Shallow	Heavy Oil
	Espadarte	100%	Deepwater	Intermediate Oil
	Jubarte	100%	Deepwater	Heavy Oil
	Marimba	100%	Deepwater	Intermediate Oil
	Marlim	100%	Deepwater	Heavy Oil
	Marlim Leste	100%	Deepwater	Intermediate Oil
			Ultra-deepwater	Intermediate Oil
	Marlim Sul	100%	Deepwater	Intermediate Oil
	Namorado	100%	Shallow	Intermediate Oil
	Pampo	100%	Shallow	Intermediate Oil
	Pargo	100%	Shallow	Intermediate Oil
	Roncador	100%	Ultra-deepwater	Intermediate Oil
	Vermelho	100%	Shallow	Heavy Oil
	Voador	100%	Deepwater	Heavy Oil
Espírito Santo	Fazenda Alegre	100%	Onshore	Heavy Oil
	Peroá	100%	Shallow	Light Oil
	Golfinho	100%	Deepwater	Intermediate Oil
			Ultra-deepwater	Intermediate Oil
Potiguar	Canto do Amaro/Alto da	100%	Onshore	Intermediate Oil/Natural Gas
	Pedra/Cajazeira Estreito/Rio Panon	100%	Onshore	Heavy Oil/Natural Gas
Recôncavo	Jandaia	100%	Onshore	Light Oil

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	Miranga	100%	Onshore	Light Oil/Natural Gas
Santos	Merluza	100%	Shallow	Natural Gas
Sergipe	Carmopolis	100%	Onshore	Intermediate Oil
	Sirirízinho	100%	Onshore	Intermediate Oil
Solimões	Leste do Urucu	100%	Onshore	Light Oil/Natural Gas
	Rio Urucu	100%	Onshore	Light Oil/Natural Gas

(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 conduct exploration, development and production activities in Brazil through concession contracts, which we obtain 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 the Oil Law. These are known as the Round Zero concession contracts. Since such time, we have participated in all

of the auction rounds and in the most recent round of December 2008, we acquired 27 of the 54 blocks offered, for a total of 10,476 km² (2.6 million acres).

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.

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The following map shows our concession areas in Brazil as of December 2008.

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 and ultra-deep water. The Campos Basin is our largest oil- and gas-producing region, producing an average 1,547 mbbbl/d of oil and 23.7 mmm³/d (894.3 mmcf/d) of associated natural gas during 2008, 77% of our total production from Brazil.

At December 31, 2008, we were producing from 39 fields at an average rate of 1,593 mbbbl/d of oil and held proved crude oil reserves representing 90% of our total proved crude oil reserves in Brazil.

At December 31, 2008, we held proved natural gas reserves in the Campos Basin representing 49% of our total proved natural gas reserves in Brazil. We operated 34 floating production systems, 14 fixed platforms and 5,697 km (3,540 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 23.1° and an average BSW of 1%.

We expect that future new-source production from Campos will be predominantly from deepwater oil fields. We are currently developing 12 major projects in the Campos Basin: Marlim Sul Modules 2 and 3, Marlim Leste Module 2, Roncador Modules 3 and 4, Jubarte Phase II, Cachalote Phase I, pre-salt reservoirs of Parque das Baleias, Papa-Terra, Frade, Ostra and Baleia Azul.

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At December 31, 2008, we held exploration rights to 22 blocks in the Campos Basin, comprising 6,679.71 km² (1.6 million acres).

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, 2008, we were producing from 41 fields at an average rate of 69.2 mbbbl/d and held proved crude oil reserves, representing 1% of our total proved crude oil reserves in Brazil. At December 31, 2008, we were producing natural gas at an average rate of 7.2 mmm³/d (273 mmcf/d) and held proved natural gas reserves representing 7% of our total proved natural gas reserves in Brazil.

On December 31, 2008, we held exploration rights to 35 blocks, 18 onshore and 17 offshore, comprising 9,359.88 km² (2.3 million acres).

We are developing two deepwater projects to increase natural gas production from the Espírito Santo Basin the Camarupim project served by the FPSO Cidade de São Mateus with capacity to produce 10 mmm³/d, and the Canapu project served by the FPSO Cidade de Vitória with capacity to produce 2 mmm³/d both of which are expected to come on stream in the second quarter of 2009.

In addition to developing new projects, we are also optimizing existing resources in the Golfinho field by moving the FPSO Capixaba to the Parque das Baleias field in the Campos Basin in anticipation of our pre-salt exploration efforts there. We will reconnect the well previously served by the FPSO Capixaba to another FPSO in the Golfinho field.

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 areas offshore Brazil and the focus of our plans to develop domestic natural gas. At December 31, 2008, we produced oil from one field at an average rate of 1.8 mbbbl/d and held proved crude oil reserves representing 0.5% of our total proved crude oil reserves in

Brazil. At December 31, 2008, we produced natural gas at an average rate of 0.721 mmm³/d (25.46 mmcf/d) and held proved natural gas reserves in the Santos Basin representing 17% of our total proved natural gas reserves in Brazil.

In January 2006, we approved the U.S.\$18 billion ten-year Master Plan for Development of Natural Gas and Oil Production in the Santos Basin, which will substantially increase our gas production to meet increasing domestic gas demand. We subsequently established a second plan, known as Plangas, to accelerate gas production and build supporting infrastructure in the Santos and Espírito Santo basins. As part of this plan, we are developing the Mexilhão and Urugua-Tambau deepwater fields described below. We expect these investment plans to increase our average gas production from the Santos Basin from 0.66 mmm³/d (23.3 mmcf/d) in 2008 to 11.4 mmm³/d (402.5 mmcf/d) in 2010.

Gas development plans for the Santos Basin include:

Mexilhão, located in shallow water in Santos Basin Block BS-400, is scheduled to come on stream in 2010 with initial production of approximately 6.5 mmm³/d (229.5 mmcf/d), potentially increasing to 8.0 mmm³/d (282.5 mmcf/d) in 2012;

Urugua-Tambau is expected to produce at an initial rate of 3.5 mmm³/d (123.6 mmcf/d) in 2010, potentially increasing to 7.0 mmm³/d (247.2 mmcf/d) of gas and 30 mbbbl/d of light oil in 2012; and

Lagosta, expected to come on stream in 2009, with initial production of approximately 1.4 mmm³/d (49.4 mmcf/d), potentially increasing to 1.8 mmm³/d (63.6 mmcf/d).

On December 31, 2008, we held exploration rights to 62 blocks in the Santos Basin, comprising 36,259.54 km² (9.0 million acres).

Pre-Salt Reservoirs

In recent years, we have focused our offshore exploration efforts on pre-salt reservoirs located in a region approximately 800 km (497 miles) long and 200 km (124 miles) wide stretching from the Campos to the Santos basins.

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We have drilled 30 wells in this 114,000 km² (28.2 million acre) area since 2005, 87% of which have yielded discoveries of hydrocarbon resources. We are the operator in most of these exploration areas, and hold interests in them ranging from 20% to 100%. In the southern part of the region, where the salt layer is thick and the hydrocarbons have been more perfectly preserved, we have made particularly promising discoveries, including Block BM-S-11 (Tupi and Iara) in the Santos Basin in 2006 and 2008. In the northern part of the region, we made a significant discovery in the area known as Parque das Baleias, in the Campos Basin in 2008.

We intend to commit substantial resources to develop these pre-salt discoveries, which are located in deep and ultra-deep waters at target depths of between 5,000 and 7,000 meters (16,404 and 22,966 feet) and present considerable technical challenges. Over the next five years we plan to invest U.S.\$28.9 billion, approximately 31% of our total domestic capital expenditures for exploration and production in the period, in the development of the pre-salt reservoirs.

Our existing concessions cover approximately 23% (26,000 km² or 6.4 million acres) of the pre-salt reservoirs. An additional 2% (3,000 km² or 0.7 million acres) is under concession to other oil companies for exploration. The remaining 75% (85,000 km² or 21 million acres) of the pre-salt region is not yet under concession, and the licensing of new pre-salt concessions is on hold pending the outcome of a regulatory review by the Brazilian government. See

Regulation of the

Oil and Gas Industry in Brazil Discussions on Possible Changes to the Oil Law.

In the pre-salt region of the Santos Basin, first oil was produced during an extended well test in Tupi, which began in May 2009. It will be followed by a pilot system FPSO with capacity of 100 mbb/d, which is scheduled to start up in Tupi by the end of 2010. Although we have made promising discoveries in the region, we are still in the early stages of our exploration efforts and do not expect to classify any pre-salt reserves as proven before 2010. In addition to the EWTs, we will drill a number of appraisal wells to better understand and delineate the pre-salt reservoirs in the Santos Basin. We also expect to start up two pilot systems in Iara and Guar during 2013-2014. We expect that future new-source production from the Santos Basin will be predominantly from pre-salt reservoirs.

In the pre-salt region of the Campos Basin, we drilled two wells off the coast of the State of Esprito Santo and made a significant discovery of intermediate oil (30 API) in the Parque das Baleias area. In September 2008, we commenced an EWT in this area, with a single well pilot system producing in the Jubarte field at an average rate of 10 to 12 mbb/d. We are continuing to study these promising finds and expect to accelerate pre-salt production in Parque das Baleias using existing infrastructure in the area. In December 2008, we began another EWT with a dynamic positioned vessel in the Cachalote field and we expect to start producing from this field and from the Baleira Franca field using an existing FPSO by the second half of 2010.

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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.

Other Basins

We produce hydrocarbons and hold exploration acreage in eight other basins in Brazil. Of these, the most significant are the shallow offshore Camamu Basin and the onshore Potiguar, Recôncavo, Rio Grande do Norte, 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 312 production agreements as of December 31, 2008, and were the 100% owner in 285 of them. We are operators under 15 of our 27 partnership agreements.

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The following table describes our principal development projects in the various basins and their production capacity:

Field	Unit Type	Production Unit	Crude Oil Nominal Capacity (bbl/d)	Natural Gas Nominal Capacity (mcf/d)	Water Depth (meters)	Start Up (year)	Notes
Marlim Sul Module 2	SS	P-51	180,000	211,884	1,255	2009(1)	
Marlim Leste Module 2	FPSO	Cidade de Niteroi	100,000	123,599	1,400	2009(2)	Chartered from Modec
Tupi EWT	FPSO	BW Cidade de São Vicente	30,000	0	2,170	2009(3)	Chartered by BW Offshore
Canapu	n/a	n/a	0	70,628	1,440	2009	Production by FPSO Cidade de Vitória
Camarupim	FPSO	Cidade de São Mateus	25,000	353,140	720	2009	Chartered from Prosafe
Lagosta	n/a	n/a	0	52,971	131	2009	Production by PMLZ-1
Frade(4)	FPSO	Frade	100,000	81,222	900	2009	
Ostra(5)	FPSO	Espírito Santo	100,000	49,440	1,600	2009	
Mexilhão	Fixed Platform	PMXL-1	0	529,710	172	2010	
Urugua Tambau	FPSO	Cidade de Santos	35,000	353,140	1,300	2010	Chartered from Modec
PIPA 2 Azul	Baleia FPSO	Dynamic Producer	30,000	0	1,400	2010	Chartered from Petroserv
Tupi pilot	FPSO	Cidade de Angra dos Reis	100,000	123,603	2,200	2010	Chartered from Modec
Cachalote and Baleia Franca	FPSO	Capixaba	100,000	123,599	n/a	2010	Existing FPSO chartered from SBM
Marlim Sul Module 3	SS	P-56	100,000	211,884	n/a	2011	
Jubarte Phase II	FPSO	P-57	180,000	70,628	1,300	2011	
Baleia Azul	FPSO	Espadarte	100,000	88,285	1,400	2012	Existing FPSO chartered from SBM
Roncador Module 3	SS	P-55	180,000	211,884	1,790	2012	
Roncador Module 4	FPSO	P-62	180,000	211,884	1,545	2013	
	TLWP	P-61	0	0	1,180	2013	

Papa-Terra Module 1							Production by P-63
Papa-Terra Module 2	FPSO	P-63	150,000	31,783	1,165	2013	
Piloto de Guara	FPSO	n/a	100,000	176,570	n/a	2013	
Pre-salt reservoirs of Parque das Baleias	FPSO	P-58	180,000	211,884	1,400	2014	

- (1) Production began in January 2009.
- (2) Production began in February 2009.
- (3) Production began in May 2009.
- (4) Petrobras 30%, Chevron (operator) 51.74%, Frade Japão 18.26%.
- (5) Petrobras 35%, Shell (operator) 35%, Esso 30%.

Exploration

As of December 31, 2008, we had 186 exploration agreements covering 256 blocks, and 35 evaluation plans. We are exclusively responsible for conducting the exploration activities in 77 of the 186 exploration agreements. As of December 31, 2008, we had partnerships in exploration with 29 foreign and domestic companies, for a total of 109 agreements. We conduct exploration activities under 70 of our 109 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

2008, we invested a total of U.S.\$2.47 billion in exploration activities in Brazil. We drilled a total of 135 gross exploratory wells in 2008, of which 47 were offshore and 88 onshore, with a success ratio of 44%.

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 five years or longer, we have historically ensured the availability of drilling units to meet our needs, and paid lower average day rates than if we had contracted the units on a spot basis. We continually evaluate our need for rigs,

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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.

Drilling Units in Use by Exploration and Production

	On December 31					
	2008		2007		2006	
	Leased	Owned	Leased	Owned	Leased	Owned
Onshore	25	11	14	13	6	13
Offshore, by water depth (WD)	31	8	27	8	24	9
Jack-up rigs	2	4	1	4	1	5
Floating rigs:						
500 to 1000 meter WD	9	2	6	2	4	2
1000 to 1500 meters WD	10	1	10	1	10	1
1500 to 2000 meters WD	7	1	7	1	7	1
2000 to 2500 meters WD	2	0	2	0	1	0
2500 to 3000 meters WD	1	0	1	0	1	0

We have entered into five- to seven-year contracts beginning in 2009 and 2010 for 15 new drilling rigs. Two will operate in water depths of less than 1,000 meters (6,560 feet), three may operate in water depths of 2,000 meters (6,560 feet), nine may operate in water depths of 2,400 meters (7,830 feet), and one will drill in water depths of 3,000 meters (9,840 feet). All of such new rigs will be chartered.

In 2008, higher oil prices contributed to cost inflation in the industry and reduced availability of oil and gas production equipment. We have taken measures to minimize cost and risk by simplifying and standardizing our equipment, wherever possible. We are increasing our use of industry-standard equipment instead of developing our own custom-made standards and equipment. We also intend to minimize costs by dividing engineering procurement and construction packages into smaller pieces and purchasing equipment from or contracting with a greater number of competitors, as well as by increasing oversight over suppliers.

Reserves

On December 31, 2008, our estimated reserves of crude oil and natural gas in Brazil totaled 10.3 billion barrels of oil equivalent, including: 8.7 billion barrels of crude oil and natural gas liquids and 247.6 bnm3 (9.3 tcf) of natural gas. As of December 31, 2008, our domestic proved developed crude oil reserves represented 61% of our total domestic proved developed and undeveloped crude oil reserves. Our domestic proved developed natural gas reserves represented 54% of our total domestic proved developed and undeveloped natural gas reserves. Total domestic proved crude oil reserves decreased at an average annual rate of 1% in the last

five years. Natural gas proved reserves increased at an average annual rate of 3% over the same period. Recent discoveries in our pre-salt reservoirs are still under evaluation and are not included in our proved reserves.

We are in discussions with ANP about the possible extension of the production concessions we hold for our major producing fields. In 2007 and 2008, we received a positive response from ANP about extending the concession for the Albacora Leste, Barracuda, Marlim Leste, Marlim Sul, Roncador, Marlim, Espadarte, Albacora, Jubarte, Cachalote,

Baleia Franca, Candeias, Canto do Amaro, Ubarana and Siririzinho fields, which resulted in an increase in our proved reserves in those fields. We are discussing with ANP similar amendments to other production concessions.

See Overview of the Group, and Supplementary Information on Oil and Gas Producing Activities in our audited consolidated financial statements for further details on our proved reserves.

Supply (Downstream Brazil)

We are an integrated company with a dominant market share in our home market. As of December 31, 2008, we operated 98.4% of Brazil's total refining capacity and 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 own and operate eleven refineries in Brazil, with a total net distillation capacity of 1,942 mbbbl/d, making us the world's eighth largest refiner among publicly traded companies.

We operate a large and complex infrastructure of pipelines and terminals and a

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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. We import certain oil products, particularly diesel, for which Brazilian demand exceeds refining capacity. 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. We export our surplus heavy crude oil, and expect exports to increase as our production increases more rapidly than Brazilian demand for oil.

Our Supply segment also includes petrochemical and fertilizer operations that add value to the hydrocarbons we produce and provide beneficial inputs to the growing Brazilian economy.

Supply Key Statistics

	2008	2007 (U.S.\$ million)	2006
Supply:			
Net operating revenues	96,202	69,549	57,959
Income (loss) before minority interest and income tax	(2,956)	4,171	3,850
Total assets at December 31	27,521	31,218	20,820
Capital expenditures	7,234	4,488	1,936

Refining

Our refining capacity in Brazil as of December 31, 2008, was 1,942 mbb/d and our average throughput during 2008 was 1,765 mbb/d.

The following table shows the installed capacity of our Brazilian refineries as of December 31, 2008, and the average daily throughputs of our refineries in Brazil and production volumes of principal oil products in 2008, 2007 and 2006.

Name (Alternative Name)(1)	Location	Crude Distillation Capacity at December 31, 2008 (mbbl/d)	Average Throughput		
			2008	2007	2006
			(mbbl/d)		

LUBNOR	Fortaleza (CE)	7	6	6	7
RECAP (Capuava)	Capuava (SP)	53	45	42	40
REDUC (Duque de Caxias)	Rio de Janeiro (RJ)	242	256	243	254
REFAP (Alberto Pasqualini)	Canoas (RS)	189	142	148	114
REGAP (Gabriel Passos)	Betim (MG)	151	143	132	136
REMAN (Isaac Sabbá)	Manaus (AM)	46	39	41	36
REPAR (Presidente Getúlio Vargas)	Araucária (PR)	189	183	169	183
REPLAN (Paulínia)	Paulínia (SP)	365	324	348	341
REVAP (Henrique Lage)	São Jose dos Campos (SP)	251	205	236	211
RLAM (Landulpho Alves)	Mataripe (BA)	279	254	261	261
RPBC (Presidente Bernardes)	Cubatão (SP)	170	168	153	163
Total		1,942	1,765	1,779	1,746

(1) We have a 100% interest in each of these refineries, with the exception of REFAP, in which we have a 70% share.

The crude oil we currently produce in Brazil is heavy or intermediate, while our refineries were originally designed to run on lighter imported crude. We import some lighter crude to balance the slate for our refineries and are investing in our refinery

system to maximize our ability to process heavier domestic crude. These investments will give us the flexibility to adjust our mix between heavy and light crudes to take advantage of market prices and match our refinery outputs to product demand.

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In general, we plan to invest in refinery projects designed to:

- enhance the value of Brazilian crude oil by increasing our capacity to refine greater quantities of the heavier crude oil that is produced domestically;
- increase production of oil products that the Brazilian market demands but that we must currently import, such as diesel;
- improve gasoline and diesel quality to comply with stricter environmental regulations currently being implemented; and
- reduce emissions and pollutant streams.

We are in the early stages of building a new 230 mbb/d refinery at Abreu e Lima in Northeastern Brazil in a proposed partnership with PDVSA, the Venezuelan state oil company. This refinery is designed to process 16° API crude and will produce 162 mbb/d of diesel as well as LPG, naphtha, bunker fuel and petroleum coke.

We are also planning two new refineries located in Northeastern Brazil: Premium I and Premium II with capacity of 600 mbb/d and 300 mbb/d, respectively. These refineries are designed to process heavy crude oil (20° API) and to maximize production of low-sulfur diesel in addition to LPG, naphtha, low-sulfur kerosene, bunker fuel and petroleum coke.

The following table shows our most significant planned investments in our refineries for 2009 to 2013:

Planned Investments 2009-2013	(U.S.\$ million)
Quality (diesel and gasoline)	13,196
Cokers	4,602
Expansion and metallurgic adaptation	590
Total	18,388

Major Refinery Projects

In addition to the new projects mentioned above, our 2009-2013 Business Plan includes investments in several key refineries, primarily for hydro-treating units to reduce sulfur and meet international standards and coking units capable of converting heavy oil into lighter products. These investments will allow us to begin offering diesel in metropolitan areas containing a maximum sulfur content of 50 parts per million, significantly lower than current levels in 2009. Of our total U.S.\$18.4 billion in planned refinery investments for 2009 to 2013,

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U.S.\$13.2 billion will be used for improving diesel and gasoline quality and U.S.\$4.6 billion for delayed coking units to convert fuel oil into lighter fractions. The principal planned investments are:

Refinery (Alternative Name)	Objective
RECAP (Capuava)	Upgrade diesel and gasoline quality
REDUC (Duque de Caxias)	Increase heavy oil processing, upgrade diesel and gasoline quality
REFAP (Alberto Pasqualini)	Upgrade diesel and gasoline quality
REGAP (Gabriel Passos)	Upgrade diesel and gasoline quality
REMAN (Isaac Sabbá)	Install mild thermal cracking units to upgrade the quality of diesel and gasoline
REPAR (Presidente Getúlio Vargas)	Expand refinery, increase heavy oil processing, upgrade diesel and gasoline quality, new propylene unit
REPLAN (Paulínia)	Expand refinery, increase heavy oil processing, upgrade diesel and gasoline quality, new propylene unit
REVAP (Henrique Lage)	Increase heavy oil processing, upgrade diesel and gasoline quality, new propylene unit
RLAM (Landulpho Alves)	Upgrade diesel and gasoline quality
RPBC (Presidente Bernardes)	Upgrade diesel and gasoline quality

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, importing light crude for our refineries and exporting heavier crude that is surplus to our needs. We import diesel due to insufficient production in our Brazilian refineries and export gasoline, largely because ethanol and vehicular natural gas provide a substantial share of Brazil's light vehicle transportation fuels. We also export fuel oil and approximately 79% of our bunker fuel production.

The table below shows our exports and imports of crude oil and oil products in 2008, 2007 and 2006:

	2008	2007 (mmbbl/d)	2006
Exports(1)			
Crude oil	439	353	335
Fuel oil (including bunker fuel)	152	160	168
Gasoline	40	59	44
Other	42	43	34
Total exports	673	615	581

Imports

Crude oil	373	390	370
Diesel and other distillates	100	83	56
LPG	40	29	27
Naphtha	23	17	20
Other	34	19	15
Total imports	570	538	488

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

Logistics and Infrastructure

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, 2008, our

onshore and offshore, crude oil and oil products pipelines extended 13,830 km (8,595 miles). We operate 26 marine storage terminals and 20 other tank farms with nominal aggregate storage capacity

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of 65 million barrels. Our marine terminals handle an average 5,000 vessels annually.

We operate a fleet of owned and chartered vessels. These provide shuttle services between our producing basins offshore Brazil and the Brazilian mainland, domestic shipping and international shipping to other parts of South America, the Caribbean Sea and Gulf of Mexico, Europe, West Africa and the Middle East. 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. According to our 2009-2013 Business Plan, we will contract with Brazilian shipyards to construct 49 new vessels by 2015. The new ships are needed to upgrade our fleet and handle increased 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.

We have signed contracts with three shipyards for 23 of these vessels for delivery between 2010 and 2014, including:

ten Suezmax and five Aframax ships to be constructed by the Atlantico Sul shipyard, in Suape, Pernambuco;

four Panamax ships to be constructed by the EISA shipyard in Rio de Janeiro; and

four tankers to be constructed by the Mauá shipyard in Niterói.

We expect that we will continue to charter additional vessels as needed in the future.

The table below shows our operating fleet and vessels under construction as of December 31, 2008.

	In Operation		Under Construction	
	Number	000 Tons Deadweight Capacity	Number	000 Tons Deadweight Capacity
Owned fleet:				
Tankers	45	2,666,082	23	2,620,450
LPG tankers	6	40,146	0	0
Anchor Handling Tug Supply (AHTS)	1	1,920	0	0
Floating, Storage and Offloading (FSO)	1	28,903	0	0
Layed-up vessel	1	143,929	0	0
Total	54	2,880,980	23	2,620,450
Chartered vessels:				
Tankers	111	11,092.76		
PG tankers	24	539.09		

Total	135	11,631.85
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Prior to the 1997 Oil Law, we held a monopoly on Brazilian oil and natural gas pipelines and shipping oil products to and from Brazil. The Oil Law provided for open competition in the construction and operation of pipeline facilities and gave the ANP the power to authorize other entities to transport crude oil, natural gas and oil products. We subsequently transferred our transportation and storage network and fleet to a separate wholly owned subsidiary, Petrobras Transporte S.A. Transpetro. The transfer was required by the Oil Law and facilitates access to excess capacity by third parties on a non-discriminatory basis. We enjoy preferred access to the Transpetro network based on our historical usage levels. In practice, third parties make very limited use of this network.

We have distributed ethanol to the domestic market through our pipelines for 30 years. As the global demand for ethanol has increased, we are investing to expand our ethanol pipelin