Lifevantage Corp
Form 10-Q
February 13, 2009

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

þ **QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2008

o **TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 000-30489
LIFEVANTAGE CORPORATION

(Exact name of Registrant as specified in its charter)

COLORADO	90-0224471
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

11545 W. Bernardo Court, Suite 301, San Diego, California 92127

(Address of principal executive offices)
(858) 312-8000

(Registrant s telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act 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 þ No o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

The number of shares outstanding of the issuer s common stock, par value $0.001 per share, as of December 31, 2008 was 24,766,117.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report on Form 10-Q contains certain forward-looking statements (as such term is defined in section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act)). These statements, which involve risks and uncertainties, reflect our current expectations, intentions or strategies regarding our possible future results of operations, performance, and achievements. Forward-looking statements include, without limitation: statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending; statements regarding our product development strategy; and statements regarding future capital expenditures and financing requirements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and applicable common law and SEC rules.

These forward-looking statements are identified in this report by using words such as anticipate , believe , could , estimate , expect , intend , plan , predict , project , should and similar terms and expressions, including referen assumptions and strategies. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements.

The following factors are among those that may cause actual results to differ materially from our forward-looking statements:

Our limited operating history and lack of significant revenues from operations;

Our ability to successfully expand our operations and manage our future growth;

The effect of current and future government regulations and regulators on our business;

The effect of unfavorable publicity on our business;

Competition in the dietary supplement market;

The potential for product liability claims against the Company;

Our dependence on third party manufacturers to manufacture our product;

The ability to obtain raw material for our product;

Our dependence on a limited number of significant customers;

Our ability to protect our intellectual property rights and the value of our product;

Our ability to continue to innovate and provide products that are useful to consumers;

The significant control that our management and significant shareholders exercise over us;

The illiquidity of our common stock;

Our ability to access capital markets or other adverse effects to our business and financial position;

Our ability to generate sufficient cash from operations, raise financing to satisfy our liquidity requirements, or reduce cash outflows without harm to our business, financial condition or operating results; and

Other factors not specifically described above, including the other risks, uncertainties, and contingencies under Description of Business , Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operation in Item 6 of Part II of our report on Form 10-KSB for the year ended June 30, 2008.

When considering these forward-looking statements, you should keep in mind the cautionary statements in this report and the documents incorporated by reference. We have no obligation and do not undertake to update or revise any such forward-looking statements to reflect events or circumstances after the date of this report.

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PART I Financial Information
Item 1. Financial Statements

LIFEVANTAGE CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 31, 2008	June 30, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 99,340	$ 196,883
Marketable Securities, available for sale	750,000	1,100,000
Accounts receivable, net	65,751	98,008
Inventory	76,226	104,415
Deferred expenses		72,049
Deposit with manufacturer	265,202	277,979
Prepaid expenses	16,354	124,049
Total current assets	1,272,873	1,973,383
Long-term assets		
Property and equipment, net	59,436	63,559
Intangible assets, net	2,222,037	2,270,163
Deferred offering costs, net	150,410	193,484
Deposits	31,009	48,447
TOTAL ASSETS	$ 3,735,765	$ 4,549,036
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Revolving line of credit and accrued interest	$ 250,086	$ 166,620
Accounts payable	145,018	139,803
Accrued expenses	345,436	338,268
Deferred revenue		510,765
Capital lease obligations		846
Total current liabilities	740,540	1,156,302
Long-term liabilities		
Convertible debt, net of discount	307,039	223,484
Total liabilities	1,047,579	1,379,786
Commitments and contingencies		
Stockholders equity		

Preferred stock par value $.001, 50,000,000 shares authorized; no shares issued or outstanding		
Common stock par value $.001, 250,000,000 shares authorized; 24,766,117 issued and outstanding as of December 31, 2008 and June 30, 2008	24,766	24,766
Additional paid-in capital	18,118,930	17,902,840
Accumulated (deficit)	(15,455,510)	(14,758,356)
Total stockholders equity	2,688,186	3,169,250
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 3,735,765	$ 4,549,036

The accompanying notes are an integral part of these condensed consolidated statements.

LIFEVANTAGE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended December 31,		For the six months ended December 31,	
	2008	2007	2008	2007
Sales, net	$ 578,457	$ 796,409	$ 1,851,959	$ 1,603,733
Cost of sales	127,546	186,019	363,085	363,322
Gross profit	450,911	610,390	1,488,874	1,240,411
Operating expenses:				
Marketing and customer service	322,065	388,673	806,869	663,121
General and administrative	496,831	478,982	1,010,826	904,522
Research and development	65,960	28,259	118,515	218,889
Depreciation and amortization	39,246	39,767	79,428	78,406
Total operating expenses	924,102	935,681	2,015,638	1,864,938
Operating (loss)	(473,191)	(325,291)	(526,764)	(624,527)
Other income and (expense):				
Interest (expense), net	(92,823)	(76,488)	(170,385)	(75,956)
Total other (expense)	(92,823)	(76,488)	(170,385)	(75,956)
Net (loss)	$ (566,014)	$ (401,779)	$ (697,149)	$ (700,483)
Net (loss) per share, basic and diluted	($0.02)	($0.02)	($0.03)	($0.03)
Weighted average shares outstanding, basic and fully diluted	24,766,117	22,316,893	24,766,117	22,292,463

The accompanying notes are an integral part of these condensed consolidated statements.

LIFEVANTAGE CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the six months ended December 31,	
	2008	2007
Cash Flows from Operating Activities:		
Net loss	$ (697,149)	$ (700,483)
Adjustments to reconcile net loss to net cash (used) provided by operating activities:		
Depreciation and amortization	79,428	78,406
Stock based compensation to employees	150,797	130,799
Stock based compensation to non-employees	65,290	31,791
Non-cash interest expense from convertible debentures	83,555	75,829
Non-cash interest expense from amortization of deferred offering costs	43,074	20,479
Changes in operating assets and liabilities:		
Decrease in accounts receivable	32,257	246,896
Decrease/(increase) in inventory	28,189	(7,109)
Decrease in deposits to manufacturer	12,777	59,555
Decrease/(increase) in prepaid expenses	107,695	(34,844)
Decrease in other assets	17,438	246,852
Increase in accounts payable	5,215	10,189
Increase in accrued expenses	7,168	258,076
(Decrease) in deferred revenue	(510,765)	(310,800)
Decrease in deferred expenses	72,049	46,782
Net Cash (Used)/Provided by Operating Activities	**(502,982)**	**152,418**
Cash Flows from Investing Activities:		
Redemption of marketable securities	350,000	50,000
Purchase of marketable securities		(1,525,000)
Purchase of intangible assets	(8,717)	(33,405)
Purchase of equipment	(18,463)	(122)
Net Cash Provided/(Used) by Investing Activities	**322,820**	**(1,508,527)**
Cash Flows from Financing Activities:		
Net proceeds from revolving line of credit	83,465	
Principal payments under capital lease obligation	(846)	(1,110)
Issuance of common stock		10,575
Private placement fees		(162,080)
Proceeds from private placement of convertible debentures		1,490,000
Net Cash Provided by Financing Activities	**82,619**	**1,337,385**

(Decrease) in Cash and Cash Equivalents:	**(97,543)**	**(18,724)**
Cash and Cash Equivalents beginning of period	196,883	160,760
Cash and Cash Equivalents end of period	**$ 99,340**	**$ 142,036**
Non Cash Investing and Financing Activities:		
Warrants issued for private placement fees for convertible debentures	$	$ 94,488
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest expense	$ 54,382	$
Cash paid for income taxes	$	$

The accompanying notes are an integral part of these condensed consolidated statements.

LIFEVANTAGE CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED DECEMBER 31, 2008 AND 2007
(UNAUDITED)

These unaudited Condensed Consolidated Financial Statements and Notes should be read in conjunction with the audited financial statements and notes of LifeVantage Corporation as of and for the year ended June 30, 2008 included in our Annual Report on Form 10-KSB.

Note 1 Organization and Basis of Presentation:

The condensed consolidated financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). In the opinion of the management of Lifevantage Corporation (LifeVantage or the Company), these interim Financial Statements include all adjustments, consisting of normal recurring adjustments, that are considered necessary for a fair presentation of the Company s financial position as of December 31, 2008, and the results of operations for the three and six month periods ended December 31, 2008 and 2007 and the cash flows for the six month periods ended December 31, 2008 and 2007. Interim results are not necessarily indicative of results for a full year or for any future period. Certain prior period amounts have been reclassified to conform to our current period presentation.

The condensed consolidated financial statements and notes included herein are presented as required by Form 10-Q, and do not contain certain information included in the Company s audited financial statements and notes for the fiscal year ended June 30, 2008 pursuant to the rules and regulations of the SEC. For further information, refer to the financial statements and notes thereto as of and for the year ended June 30, 2008, and included in the Annual Report on Form 10-KSB on file with the SEC.

On September 26, 2007 and October 31, 2007 the Company issued debentures convertible into the Company s common stock in a private placement offering. The net proceeds received by the Company from the offering of approximately $1,328,000 are being used to expand marketing efforts, scientific studies and intellectual property protection. While the 2007 funding improved the Company s liquidity position, the Company is seeking to raise up to an additional $2,000,000 for its entry into the Network Marketing Sales Channel and to increase the Company s working capital. However, there can be no assurance that revenue generated from this new sales channel will result in positive cash flow.

Note 2 Summary of Significant Accounting Policies:

Consolidation

The accompanying financial statements include the accounts of the Company and its wholly-owned subsidiary Lifeline Nutraceuticals Corporation (LNC). All inter-company accounts and transactions between the entities have been eliminated in consolidation.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ from those estimates.

Revenue Recognition

The Company ships the majority of its product directly to the consumer via United Parcel Service (UPS) and receives substantially all payment for these sales in the form of credit card charges. Revenue from direct product sales to customers is recognized upon passage of title and risk of loss to customers when product is shipped from the fulfillment facility. Sales revenue and estimated returns are recorded when product is shipped. The Company s direct to customer return policy is to provide a 30-day money back guarantee on orders placed by customers. After 30 days, the Company does not issue refunds to direct sales customers for returned product. To date, the Company has experienced monthly returns of approximately 1 percent of sales. As of December 31, 2008 and June 30, 2008, the Company s reserve balance for returns and allowances was approximately $92,000 and $97,700, respectively.

For retail customers, the Company analyzes its contracts to determine the appropriate accounting treatment for its recognition of revenue on a customer by customer basis.

In July 2005, LifeVantage entered into an agreement with General Nutrition Distribution, LP (GNC) for the sale of Protandim®, pursuant to which GNC has the right to return any and all product shipped to GNC, at any time, for any reason. Beginning July 1, 2008, the Company had sufficient history to develop reliable estimates of product returns, and accordingly, recognized all previously deferred revenue net of estimated returns and expenses, and began recognizing sales to all third party distributors net of estimated returns, as product ships.

The table below shows the effect of the change in the Company s deferred revenue and expense for the six months ended December 31, 2008:

	Deferred Revenue	Deferred Expense
Deferred revenue and expense as of June 30, 2008	$ 510,765	$ 72,049
Recognition of revenue in the three months ended September 30, 2008 for prior period deferred sales	(510,765)	(72,049)
Deferred revenue and expense as of December 31, 2008	$	$

Accounts Receivable

The Company s accounts receivable primarily consist of receivables from retail distributors. Management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The Company has one national retail distributor, GNC, and several regional natural products distributors as of December 31, 2008. Our national distributor comprises 59% of the Company s accounts receivable balance as of December 31, 2008. Based on the current aging of its accounts receivable, the Company believes that it is not necessary to maintain an allowance for doubtful accounts.

For credit card sales to direct sales customers, the Company verifies the customer s credit card prior to shipment of product. Payment not yet received from credit card sales is treated as a deposit in transit and is not reflected as a receivable on the accompanying balance sheet. Based on the Company s verification process and historical information available, management does not believe that there is justification for an allowance for doubtful accounts on credit card sales related to its direct sales as of

December 31, 2008. For direct sales, there is no bad debt expense for the three month period ended December 31, 2008.

Inventory

Inventory is stated at the lower of cost or market value. Cost is determined using the first-in, first-out method. The Company has capitalized payments to its contract product manufacturer for the acquisition of raw materials and commencement of the manufacturing, bottling and labeling of the Company s product. As of December 31, 2008 and June 30, 2008, inventory consisted of:

	December 31, 2008	June 30, 2008
Finished goods	$ 43,542	$ 87,393
Packaging supplies	21,061	17,022
Work in process	11,623	
Total inventory	$ 76,226	$ 104,415

Loss per share

Basic loss per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed by dividing net income by the weighted average common shares and potentially dilutive common share equivalents. The effects of approximately 24.4 million common shares issuable pursuant to the convertible debentures and warrants issued in the Company s private placement offerings, compensation based warrants issued by the Company and the Company s 2007 Long-Term Incentive Plan are not included in computations when their effect is antidilutive. Because of the net loss for the three and six month periods ended December 31, 2008 and 2007, the basic and diluted average outstanding shares are the same, since including the additional potential common share equivalents would have an antidilutive effect on the loss per share calculation.

Research and Development Costs

The Company expenses all costs related to research and development activities as incurred. Research and development expenses for the six month periods ended December 31, 2008 and 2007 were $118,515 and $218,889 respectively.

Advertising Costs

The Company expenses advertising costs as incurred. The Company expensed the cost of producing commercials when the first commercial ran. Advertising expense for the six month periods ended December 31, 2008 and 2007 was $319,870 and $267,215 respectively.

Cash and Cash Equivalents

The Company considers only its monetary liquid assets with original maturities of three months or less as cash and cash equivalents.

Marketable Securities

From time to time, the Company has invested in marketable securities, including auction rate preferred securities of closed-end funds (ARPS) to maximize interest income. As the auction process for resetting interest rates has ceased as of mid-February 2008, we have been notified by several of the Corporate entities that have issued ARPS of plans to refinance these instruments. The Company has classified its investment in these instruments as marketable securities available for sale, in accordance with SFAS 115.

These marketable securities which historically have been extremely liquid have been adversely affected by the broader national liquidity crisis. Based upon the most current information, management believes that these securities will redeem within the next twelve months, as the Company s ARPS continue to redeem and approximately $300,000 of the ARPS redeemed during the three month period ended December 31, 2008. As such, these securities have been classified as current. However, future economic events could cause a portion of these to be classified as long-term.

As of December 31, 2008, management believes that there has not been a change in the fair value of the securities owned. The Company is currently taking advantage of higher interest yields as a result of the failed auctions. The Company has not recorded any impairment related to these investments as management does not believe that the underlying credit quality of the assets has been impacted by the reduced liquidity of these investments.

The Company established a line of credit to borrow against marketable securities so that sales of these securities would not have to occur in order to fund operating needs of the Company. The interest rate on amounts borrowed was slightly less than the interest being earned.

Investment in marketable securities are summarized as follows as of December 31, 2008 and June 30, 2008:

	Unrealized (Loss)	Estimated Fair Value
As of December 31, 2008		
Available for sale securities	$	$ 750,000
As of June 30, 2008		
Available for sale securities	$	$ 1,100,000

Deposit with Manufacturers

At December 31, 2008 and June 30, 2008, the Company had a deposit of $265,202 and $277,979, respectively, with its contract manufacturers for acquisition of raw materials and production of finished product. The Company offsets reductions in the deposit against the trade payable to the manufacturer of Protandim® as product is purchased from the manufacturer.

Shipping and Handling

Shipping and handling costs associated with inbound freight and freight out to customers are included in cost of sales. Shipping and handling fees charged to customers are included in sales.

Goodwill and Other Intangible Assets

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* (SFAS 142). SFAS 142 establishes standards for accounting for goodwill and other intangibles acquired in business combinations. Goodwill and other intangibles with indefinite lives are not amortized.

As of December 31, 2008 and June 30, 2008, intangible assets consisted of:

	December 31, 2008	June 30, 2008
Patent costs	$ 2,252,068	$ 2,246,074
Trademark costs	126,249	123,526
Amortization of patents & trademarks	(156,280)	(99,437)
Intangible assets, net	$ 2,222,037	$ 2,270,163

Patents

The primary purpose of purchasing the remaining interest in the Company s subsidiary, LNC, was to gain control over the Company s intellectual property, i.e. patents. As a result, the $2,000,000 purchase price has been allocated entirely to patent costs.

In addition to the $2,000,000 cost of acquiring the remaining interest in LNC, the costs of applying for patents are also capitalized and, once the patent is granted, will be amortized on a straight-line basis over the lesser of the patent s economic or legal life. Capitalized costs will be expensed if patents are not granted. The Company reviews the carrying value of its patent costs periodically to determine whether the patents have continuing value and such reviews could result in impairment of the recorded amounts. As of December 31, 2008, two U.S. patents have been granted and amortization of these commenced upon the date of the grant and will continue over their remaining legal lives.

Stock-Based Compensation

In an effort to advance the interests of the Company and its shareholders, the shareholders approved and the Company adopted the 2007 Long-Term Incentive Plan (the Plan), effective November 21, 2006, to provide incentives to certain eligible employees who contribute significantly to the strategic and long-term performance objectives and growth of the Company. A maximum of 6,000,000 shares of the Company s common stock can be issued under the Plan in connection with the grant of awards. Awards to purchase common stock have been granted pursuant to the Plan and are outstanding to various employees, officers, directors and Scientific Advisory Board (SAB) members at prices between $0.19 and $3.37 per share, vesting over one- to three-year periods. Awards expire in accordance with the terms of each award and the shares subject to the award are added back to the Plan upon expiration of the award. Awards outstanding as of December 31, 2008, net of awards expired, are for the purchase of 3,047,423 shares of the Company s common stock.

Options granted prior to November 21, 2006, the effective date of the Plan, were terminated and new options on substantially identical terms and provisions (i.e., identical number of underlying shares, exercise price, vesting schedule, and expiration date as the original options) were granted under the Plan. As no modifications to the terms and provisions of the previously granted options occurred, the Company accounted for the related compensation expense under SFAS 123(R) as it did prior to the effective date of the Plan.

In certain circumstances, the Company issued common stock for invoiced services to pay contractors and vendors, and in other similar situations. In accordance with Emerging Issues Task Force Issue No. 96-18, A*ccounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services*, (EITF 96-18), payments in equity instruments to non-employees for goods or services are accounted for by the fair value method, which relies on the valuation of the service at the date of the transaction, or public stock sales price, whichever is more reliable as a measurement.

Compensation expense was calculated using the fair value method during the three and six month periods ended December 31, 2008 and 2007 using the Black-Scholes option pricing model. No compensation based options were granted during the three or six month periods ended December 31, 2008.

Warrants for the purchase of 240,000 and 520,000 shares were granted to consultants during the three and six month periods ended December 31, 2008, respectively. Options for the purchase of 415,000 shares and a warrant for the purchase of 1,200,000 shares were granted during the three and six month periods ended December 31, 2007. The following assumptions were used for options and warrants granted during the three and six month periods ended December 31, 2008:

1. risk-free interest rate of between 1.21 and 2.42 percent;

2. dividend yield of -0- percent;

3. expected life of 3 years; and

4. a volatility factor of the expected market price of the Company s common stock of 228 percent during the three month period ended December 31, 2008 and between 204 and 228 percent for the six month period ended December 31, 2008.

Derivative Financial Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks.

We analyze convertible debentures under the guidance provided by Emerging Issues Task Force Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock,* (EITF 00-19) and Emerging Issues Task Force Issue No. 05-02, *Meaning of Conventional Convertible Debt Instrument in Issue No. 00-19*, (EITF 05-02) and review the appropriate classification under the provisions of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (SFAS 133), and EITF 00-19.

We review the terms of convertible debt and equity instruments we issue to determine whether there are embedded derivative instruments, including the embedded conversion options, that are required to be bifurcated and accounted for separately as derivative instrument liabilities. Also, in connection with the sale of convertible debt and equity instruments, we may issue freestanding options or warrants that may, depending on their terms, be accounted for as derivative instrument liabilities, rather than as equity. For option-based derivative financial instruments, we use the Black-Scholes option pricing model to value the derivative instruments.

Certain instruments, including convertible debt and equity instruments and the freestanding warrants issued in connection with those convertible instruments, may be subject to registration rights agreements, which impose penalties for failure to register the underlying common stock by a defined date. These potential penalties are accounted for in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, (SFAS 5).

When the embedded conversion option in a convertible debt instrument is not required to be bifurcated and accounted for separately as a derivative instrument, we review the terms of the instrument to determine whether it is necessary to record a beneficial conversion feature, in accordance with Emerging Issues Task Force Issue No. 98-05, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios,* (EITF 98-05), and Emerging Issues Task Force Issue No. 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*, (EITF 00-27). When the effective conversion rate of the instrument at the time it is issued is less than the fair value of the common stock into which it is convertible, we recognize a beneficial conversion feature, which is credited to equity and reduces the initial carrying value of the instrument.

When convertible debt is initially recorded at less than its face value as a result of allocating some or all of the proceeds received in accordance with Accounting Principles Board Opinion No. 14, *Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants*, (APB 14), to

derivative instrument liabilities, to a beneficial conversion feature or to other instruments, the discount from the face amount, together with the stated interest on the convertible debt, is amortized over the life of the instrument through periodic charges to income, using the effective interest method.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities from a change in tax rates is recognized in income in the period that includes the effective date of the change.

Concentration of Credit Risk

Statement of Financial Accounting Standards No. 105, *Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Ris*k, (SFAS 105), requires disclosure of significant concentrations of credit risk regardless of the degree of such risk. Financial instruments with significant credit risk include cash and marketable securities. At December 31, 2008, the Company had approximately $750,000 with one financial institution in an investment management account.

Effect of New Accounting Pronouncements

On June 15, 2008 the Emerging Issues Task Force ratified EITF 07-5, Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity s Own Stock (EITF 07-5). EITF 07-5 provides guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity s own stock. EITF 07-5 will require additional analysis as to whether an instrument (or Embedded Feature), has anti-dilution provisions which may not be considered indexed to the Company s own stock and accordingly results in liability classification of the financial instrument or embedded feature. EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application by an entity that has previously adopted an alternative accounting policy is not permitted. At this time, we anticipate that EITF 07-5 will not have a material impact on our financial statements.

We have reviewed recently issued, but not yet effective, accounting pronouncements and do not believe any such pronouncements will have a material impact on our financial statements.

Note 3 Accounting for Intellectual Property

Long-lived assets of the Company are reviewed at least annually as to whether their carrying value has become impaired, pursuant to guidance established in Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, (SFAS 144). The Company assesses impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. When an assessment for impairment of long-lived assets, long-lived assets to be disposed of, and certain identifiable intangibles related to those assets is performed, the Company is required to compare the net carrying value of long-lived assets on the lowest level at which cash flows can be determined on a consistent basis to the related estimates of future undiscounted net cash flows for such properties. If the net carrying value exceeds the net cash flows, then impairment is recognized to reduce the carrying value to the estimated fair value, generally equal to the future discounted net cash flow.

The recurring losses experienced by the Company have resulted in management s assessment of impairment with respect to the capitalized patent costs. Analysis generated for this assessment concluded that sales volumes, less the cost of manufacturing the product sold and less the marketing and sales cost of generating the revenues, support management s conclusion that no impairment to the capitalized patent costs has occurred.

Note 4 Convertible Debentures

On September 26, 2007 and October 31, 2007, the Company issued convertible debentures in a private placement offering that bear interest at 8 percent per annum and have a term of three years. The convertible debentures are convertible into the Company s common stock at $0.20 per share during their term and at maturity, at the Company s option, may be repaid in full or converted into common stock at the lower $0.20 per share or the average trading price for the 10 days immediately prior to the maturity date.

Gross proceeds of $1,490,000 were distributed to the Company pursuant to the issuance of convertible debentures in the private placement offering. The Company also issued warrants to purchase shares of the Company s common stock at $0.30 per share in the private placement offering.

Prior to conversion or repayment of the convertible debentures, if (i) the Company fails to remain subject to the reporting requirements under the Exchange Act for a period of at least 45 consecutive days, (ii) the Company fails to materially comply with the reporting requirements under the Exchange Act for a period of 45 consecutive days, (iii) the Company s common stock is no longer quoted on the Over the Counter Bulletin Board or listed or quoted on a securities exchange, or (iv) a Change of Control (as defined in the convertible debentures) is consummated, the Company will be required upon the election of the holder to redeem the convertible debentures in an amount equal to 150 percent of the principal amount of the convertible debenture plus any accrued or unpaid interest.

The Company determined that the convertible debentures did not satisfy the definition of a conventional convertible instrument under the guidance provided in EITF Issues 00-19 and 05-02, as an anti-dilution provision in the convertible debentures reduces the conversion price dollar for dollar if the Company issues common stock with a price lower than the conversion price of the convertible debentures. However, the Company has reviewed the requirements of EITF Issue 00-19 and concluded that the embedded conversion option in the convertible debentures qualifies for equity classification under EITF Issue 00-19, and thus, is not required to be bifurcated from the host contract. The Company also determined that the warrants issued in the private placement offering qualify for equity classification under the provisions of SFAS 133 and EITF Issue 00-19.

In addition, the Company has reviewed the terms of the convertible debentures to determine whether there are any other embedded derivative instruments that may be required to be bifurcated and accounted for separately as derivative instrument liabilities. Certain events of default associated with the convertible debentures, including the holder s right to demand redemption in certain circumstances, have risks and rewards that are not clearly and closely associated with the risks and rewards of the debt instruments in which they are embedded. The Company has reviewed these embedded derivative instruments to determine whether they should be separated from the convertible debentures. However, at this time, the Company does not believe that the value of these derivative instrument liabilities is material.

In accordance with the provisions of APB Opinion No. 14, the Company allocated the proceeds received in the private placement to the convertible debentures and warrants to purchase common stock based on their relative estimated fair values. In accordance with EITF Issues 98-5 and 00-27,

management determined that the convertible debentures contained a beneficial conversion feature based on the effective conversion price after allocating proceeds of the convertible debentures to the common stock purchase warrants. As a result, the Company allocated $174,255 to the convertible debentures, $578,185 to the common stock warrants, which was recorded in additional paid-in-capital, and $737,560 to the beneficial conversion feature. The discount from the face amount of the convertible debentures represented by the value initially assigned to any associated warrants and to any beneficial conversion feature is amortized over the period to the due date of each convertible debenture, using the effective interest method.

Effective interest associated with the convertible debentures totaled $74,195 and $137,937 for the three and six month periods ended December 31, 2008, respectively. For the three and six month periods ended December 31, 2007, effective interest associated with the convertible debentures totaled $45,863 and $46,938 respectively. Effective interest is accreted to the balance of convertible debt until maturity. A total of $256,568 was paid for commissions and expenses incurred in the private placement offering which is being amortized into interest expenses over the term of the convertible debentures on a straight-line basis. As of December 31, 2008 the Company has recorded accumulated amortization of deferred offering costs of $106,158.

Note 5 Line of Credit

The Company established a line of credit to borrow against its marketable securities. Under the line of credit, the Company can borrow up to 50% of the face value of its marketable securities, $375,000 at December 31, 2008. The line is collateralized by the marketable securities. The interest rate charged through December 31, 2008, 4.47 percent, is 1.22 percentage points above the published Wall Street Journal Prime Rate, which was 3.25 percent as of December 31, 2008. As of December 31, 2008, the Company has borrowed approximately $250,000 including accrued interest from the line.

Note 6 Stockholders Equity

In accordance with SFAS 123(R), payments in equity instruments for goods or services are accounted for by the fair value method. For the three and six months ended December 31, 2008, stock based compensation of $90,064 and $216,087 respectively, was reflected as an increase to additional paid in capital. Of the $90,064 stock based compensation for the three months ended December 31, 2008, $62,797 was employee related and $27,267 was non-employee related. For the six months ended December 31, 2008, stock based compensation of $150,797 was employee related and $65,290 was non-employee related.

Warrants for the purchase of 240,000 and 520,000 shares of the Company s common stock were granted to consultants for services rendered during the three and six month periods ended December 31, 2008, respectively. The value of the warrants granted were estimated at $25,148 and $74,383 for the three and six month periods ended December 31, 2008, respectively. No options were granted to employees during the same periods.

The Company s Articles of Incorporation authorize the issuance of preferred shares. However, as of December 31, 2008, none have been issued nor have any rights or preferences been assigned to the preferred shares by the Company s Board of Directors.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with the accompanying Financial Statements and related notes, as well as the section entitled Cautionary Note Regarding Forward-Looking Statements in this report, as well as the Financial Statements and related notes in our Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008 and the risk factors discussed therein. The statements contained in this report that are not purely historical are forward-looking statements. Forward-looking statements include statements regarding our expectations, hopes, intentions, or strategies regarding the future. Forward-looking statements include statements regarding future products or product development; statements regarding future selling, general and administrative costs and research and development spending, and our product development strategy; statements regarding future capital expenditures and financing requirements; and similar forward-looking statements. It is important to note that our actual results could differ materially from those contained in such forward-looking statements.

Overview

This management s discussion and analysis discusses the financial condition and results of operations of Lifevantage Corporation (the Company , LifeVantage , or we , us or our) and its wholly-ownefont-family:Times N Roman; font-size:10pt">

Further Issuances

PGF reserves the right, from time to time, without the consent of the holders of the Notes, to issue additional Notes on terms and conditions identical to those of the Notes, which additional Notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the series of Notes offered hereby. PGF may also issue other securities under the indentures which have different terms and conditions from the Notes. See Description of the Notes Further Issuances.

Modification of Notes, Indentures and Guaranties

The terms of the indentures may be modified by PGF and the trustee, and the terms of the guaranties may be modified by Petrobras and the trustee, in some cases without the consent of the holders of the relevant series of the Notes. See Description of the Notes Amendments.

Clearance and Settlement

The Notes will be issued in book-entry form through the facilities of The Depository Trust Company, or DTC, for the accounts of its direct and indirect participants, including Clearstream Banking, *société anonyme*, and Euroclear S.A./N.V., as operator of the Euroclear System, and will trade in DTC s Same-Day Funds Settlement System. Beneficial interests in Notes held in book-entry form will not be entitled to receive physical delivery of certificated Notes except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see Clearance and Settlement.

Withholding Taxes; Additional Amounts

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

Governing Law

The indentures, the Notes, and the guaranties will be governed by, and construed in accordance with, the laws of the State of New York.

Listing

The 2029 Original Notes are listed on the NYSE under the symbol PBR/29. PGF intends to apply to have the 20 Notes approved for listing on the NYSE.

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Risk Factors	You should carefully consider the risk factors discussed beginning on page S-16, the section entitled Risk Factors in Petrobras s 2017 Form 20-F, which is incorporated by reference in this prospectus supplement, and the other information included or incorporated by reference in this prospectus supplement, before purchasing any Notes.

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RECENT DEVELOPMENTS

Recent developments relating to the political environment in Brazil

In October 2018, a new President and a new Congress were elected in Brazil. The new President took office on January 1, 2019 and the new members of Congress took office in February 2019. Brazilian law requires that the Brazilian federal government own a majority of our voting stock, and so long as it does, the Brazilian federal government will have the power to elect a majority of the members of our board of directors and, through them, all of the executive officers who are responsible for our day to day management. As a result, the Brazilian federal government has guided and may continue to guide certain macroeconomic and social policies through us, pursuant to Brazilian law. Accordingly, we may have our activities guided by the Brazilian federal government to contribute to the public interest, and, as a result, we may make investments, incur costs and engage in transactions with parties or on terms that may have an adverse effect on our results of operations and financial condition.

In December 2017, we included the definition of public interest in our bylaws, as required by Brazilian law. We also stated in our bylaws that the Brazilian federal government may direct our activities to pursue the public interest under certain circumstances, which distinguishes us from any other private company, including oil and gas companies. More specifically, the Brazilian federal government may direct us to assume obligations or responsibilities that contribute to the public interest, including the execution of investment projects and the incurrence of certain operating costs, if certain conditions are met. First, the obligations or responsibilities must be clearly defined by law or regulation and established in a contract or agreement with the competent public authority. Second, the investment projects must have their costs and revenues disclosed in a transparent manner. As established in our bylaws, we may request that the Brazilian federal government compensate us for the difference between the amount that we would have received had the obligation been entered into on market terms and the operating result or economic return derived from the obligations assumed by us in each fiscal year.

See Item 3 Risk Factors *The Brazilian federal government, as our controlling shareholder, may pursue certain macroeconomic and social objectives through us that may have a material adverse effect on us* in our 2017 Form 20-F.

Recent developments relating to thefts of oil and oil products

In recent months, we suffered a significant increase in acts of intentional interference by third parties in our pipelines, including the theft of oil, gas and oil products, especially in the states of São Paulo and Rio de Janeiro. These occurrences present a risk to people, facilities and the environment near these pipelines and us. In 2018, we reported 228 occurrences of thefts to Brazilian authorities. In case of new occurrences, we may become involved in accidents, such as explosions or oil and oil products spills, resulting in fatalities, damages to the environment or interruptions of our operations. In addition, we may face fines and sanctions imposed by environmental and regulatory agencies for the damages resulting from acts of intentional interference by third parties.

Recent developments relating to water scarcity in regions where we operate

We have 455 industrial facilities that demand the use of water, ranging from large users such as refineries to small users like distribution bases and terminals, which are logistically important within our chain. In recent years, several regions of the world, including Brazil, have experienced a shortage of freshwater, including for the consumption by the population. In case of water scarcity, we may be required to reduce or suspend our production activities, since water for the consumption of the population and watering of animals has priority over industrial use. This may jeopardize our operational continuity, as well as generate financial and environmental impacts on us.

Recent developments relating to the settlement of the SEC and Department of Justice (DoJ) investigations

On September 27, 2018, we announced the settlement of the SEC and DoJ investigations related to our internal controls, accounting records and financial statements for the period of 2003 to 2012. Pursuant to the non-prosecution agreement (NPA) with the DoJ, we admitted that certain of our former executives and officers took action that gave rise to violations of books and records and internal controls provisions under U.S. law. As part of the SEC resolution, we settled charges of violations of the U.S. Securities Act of 1933, and the books and records and internal control provisions of the U.S. Securities Exchange Act of 1934 without admitting the SEC allegations. The agreements, subject to the terms thereof, fully resolve the investigations carried out by the DoJ and SEC. Under the terms of the agreements,

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Petrobras paid in the United States U.S.$85.3 million to the DoJ and will pay U.S.$85.3 million to the SEC. In addition, the agreements credited Petrobras s remittance of U.S.$682.6 million to the Brazilian authorities, which were deposited by Petrobras on January 30, 2019 and used under the terms of an agreement signed with the Federal Prosecution Office of Brazil. The SEC also credited the payments Petrobras already made under our previously announced settlement of a securities class action lawsuit in the United States. The amount of U.S.$853.2 million (R$3,536 million) was recorded in other operating expenses in the third quarter of 2018. If, during the term of the NPA (three years, unless extended), the DoJ determines that we have committed a felony under U.S. federal law, provided deliberately false or misleading information or otherwise breached the NPA, we could be subject to prosecution and additional fines or penalties, including charges under the Foreign Corrupt Practices Act of 1977.

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RISK FACTORS

Our 2017 Form 20-F includes extensive risk factors relating to our operations, our compliance and control risks (including those related to material weaknesses in our internal control over financial reporting identified in prior years, the ongoing Lava Jato investigation and uncertainty relating to our methodology to estimate the incorrectly capitalized overpayments uncovered in the context of the Lava Jato investigation), our relationship with the Brazilian federal government, and to Brazil. You should carefully consider those risks and the risks described below, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the Notes.

Risks Relating to PGF s Debt Securities

The market for the Notes may not be liquid.

The 2029 Original Notes are listed on the NYSE. The 20 Notes are an issuance of new securities with no established trading market. We intend to apply to list the 20 Notes on the NYSE. We can make no assurance as to the liquidity of or trading markets for the Notes offered by this prospectus supplement. We cannot guarantee that holders of the Notes will be able to sell their Notes in the future. If a market for the Notes does not develop, holders of the Notes may not be able to resell the Notes for an extended period of time, if at all.

Restrictions on the movement of capital out of Brazil may impair your ability to receive payments on the guaranties and restrict Petrobras s ability to make payments to PGF in U.S. dollars.

In the past, the Brazilian economy has experienced balance of payment deficits and shortages in foreign exchange reserves, and the government has responded by restricting the ability of Brazilian or foreign persons or entities to convert *reais* into foreign currencies. The government may institute a restrictive exchange control policy in the future. Any restrictive exchange control policy could prevent or restrict our access to U.S. dollars, and consequently our ability to meet our U.S. dollar obligations under the guaranties and could also have a material adverse effect on our business, financial condition and results of operations. We cannot predict the impact of any such measures on the Brazilian economy. In the event that any such restrictive exchange control policies were instituted by the Brazilian government, we may face adverse regulatory consequences in The Netherlands that may lead us to redeem the Notes prior to their maturity.

In addition, payments by Petrobras under the guaranties in connection with PGF 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, which could cause delays in such payments.

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

If proceedings were brought in Brazil seeking to enforce Petrobras s obligations in respect of the guaranties, Petrobras would be required to discharge its obligations only in *reais*. Under Brazilian exchange controls, 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, will be satisfied in *reais* at the rate of exchange in effect on the date of payment, as determined by the Central Bank of Brazil.

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

PGF s obligation to make payments on the Notes is supported by Petrobras s obligation under the corresponding guaranties. Petrobras has been advised by its external U.S. counsel that the guaranties are valid and enforceable in accordance with the laws of the State of New York and the United States. In addition, Petrobras has been advised by its general counsel that the laws of Brazil do not prevent the guaranties from being valid, binding and enforceable against Petrobras in accordance with their terms.

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In the event that U.S. federal fraudulent conveyance or similar laws are applied to the guaranties, and Petrobras, at the time it entered into the relevant guaranty:

- was or is insolvent or rendered insolvent by reason of our entry into such guaranty;
- was or is engaged in business or transactions for which the assets remaining with Petrobras constituted unreasonably small capital; or
- intended to incur or incurred, or believed or believe that Petrobras would incur, debts beyond Petrobras s ability to pay such debts as they mature; and
- in each case, intended to receive or received less than reasonable equivalent value or fair consideration therefor,

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

We cannot assure you that the credit ratings for the Notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the Notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the Notes.

Interest payments on the Notes may be subject to Dutch withholding taxes.

The Dutch government has confirmed that a withholding tax on interest payments made by Dutch issuers will be introduced commencing on January 1, 2021. It has been announced that the bill of law for the introduction of a withholding tax on interest payments will be published in the course of 2019. The official publications and announcements by the Dutch government to date suggest that the scope of such withholding tax will be limited to interest payments made to recipients that are cumulatively (i) affiliated to the person making such interest payments and (ii) a resident in a low-taxed jurisdiction or a country included on the European Union list of non-cooperative countries. These publications and announcements also suggest that the withholding tax rules will also include anti-abuse provisions aimed at avoiding interest payments being made indirectly to these recipients.

We cannot provide any assurance on whether a wider application of the withholding tax will be introduced by the Dutch government, or if such withholding tax would apply to interest payments on the Notes. If PGF is required to withhold taxes on payments of interest on the Notes, PGF may be required to pay additional amounts to holders of the Notes to account for such withholding taxes. Subject to certain conditions, if PGF is required to pay such additional amounts to holders of the Notes, PGF would be permitted to redeem the Notes at par prior to their stated maturity. If the Notes are so redeemed, an investor may not be able to earn the same yield on the Notes through the maturity date as originally expected. See Description of the Notes Covenants Additional Amounts, and Description of the Notes Optional Redemption Redemption for Taxation Reasons.

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Risks Relating to PGF and Petrobras

PGF s operations and debt servicing capabilities are dependent on Petrobras.

PGF s financial position and results of operations are directly affected by Petrobras s decisions. PGF is an indirect, wholly-owned finance subsidiary of Petrobras incorporated in The Netherlands as a private company with limited liability. PGF does not currently have any operations, revenues or assets other than those related to its primary business of raising money for the purpose of on-lending to Petrobras and other subsidiaries of Petrobras. PGF s ability to satisfy its obligations under the Notes will depend on payments made to PGF by Petrobras and other subsidiaries of Petrobras under the loans made by PGF. The Notes and all debt securities issued by PGF will be fully and unconditionally guaranteed by Petrobras. Petrobras s financial condition and results of operations, as well as Petrobras s financial support of PGF, directly affect PGF s operational results and debt servicing capabilities.

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USE OF PROCEEDS

The net proceeds from the sale of the Notes, after payment of underwriting discounts but before expenses, are expected to be approximately U.S.$ million.

PGF intends to use the net proceeds from the sale of the Notes to purchase the Old Notes that PGF accepts for purchase in the Tender Offer announced concurrently with this offering, and to use any remaining net proceeds for general corporate purposes.

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SELECTED FINANCIAL AND OPERATING INFORMATION

This prospectus supplement incorporates by reference our audited consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The selected financial data and operating information as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017, 2016, 2015 and 2014, presented in the tables below have been derived from Petrobras s audited consolidated financial statements. Petrobras s audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 were audited by KPMG Auditores Independentes. Petrobras s audited consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014 were audited by PricewaterhouseCoopers Auditores Independentes. The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, Petrobras s financial statements and the accompanying notes incorporated by reference in this prospectus supplement.

Balance Sheet Data

	As of December 31,				
	2018	**2017**	**2016**	**2015**	**2014**
			(U.S.$ million)		
Assets:					
Cash and cash equivalents	13,899	22,519	21,205	25,058	16,655
Marketable securities	1,083	1,885	784	780	9,323
Trade and other receivables, net	5,746	4,972	4,769	5,554	7,969
Inventories	8,987	8,489	8,475	7,441	11,466
Assets classified as held for sale	1,946	5,318	5,728	152	5
Other current assets	5,401	3,948	3,808	4,194	5,414
Long-term receivables	22,059	21,450	20,420	19,426	18,863
Investments	2,759	3,795	3,052	3,527	5,753
Property, plant and equipment	157,383	176,650	175,470	161,297	218,730
Intangible assets	2,805	2,340	3,272	3,092	4,509
Total assets	222,068	251,366	246,983	230,521	298,687
Liabilities and equity:					
Total current liabilities	25,051	24,948	24,903	28,573	31,118
Non-current liabilities(1)	43,334	42,871	36,159	24,411	30,373
Non-current finance debt(2)	80,508	102,045	108,371	111,482	120,218
Total liabilities	148,893	169,864	169,433	164,466	181,709
Equity					
Share capital (net of share issuance costs)	107,101	107,101	107,101	107,101	107,101
Reserves and other comprehensive income (deficit)(3)	(35,557)	(27,299)	(30,322)	(41,865)	9,171
Equity attributable to the shareholders of Petrobras	71,544	79,802	76,779	65,236	116,272

Non-controlling interests	1,631	1,700	771	819	706
Total equity	73,175	81,502	77,550	66,055	116,978
Total liabilities and equity	222,068	251,366	246,983	230,521	298,687

(1) Excludes non-current finance debt.

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

(3) Capital reserve and transactions, profit reserve and accumulated other comprehensive income (deficit).

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Income Statement Data

	For the Year Ended December 31,				
	2018(1)	**2017(2)**	**2016(3)**	**2015(4)**	**2014(5)**
	(U.S.$ million, except for share and per share data)				
Sales revenues	95,584	88,827	81,405	97,314	143,657
Net income (loss) before finance income (expense), results in equity-accounted investments and income taxes	17,432	11,219	4,308	(1,130)	(7,407)
Net income (loss) attributable to the shareholders of Petrobras	7,173	(91)	(4,838)	(8,450)	(7,367)
Weighted average number of shares outstanding:					
Common	7,442,454,142	7,442,454,142	7,442,454,142	7,442,454,142	7,442,454,142
Preferred	5,602,042,788	5,602,042,788	5,602,042,788	5,602,042,788	5,602,042,788
Net income (loss) before finance income (expense), results in equity-accounted investments and income taxes per:					
Common and Preferred shares	1.34	0.86	0.33	(0.09)	(0.57)
Common and Preferred ADS	2.68	1.72	0.66	(0.18)	(1.14)
Basic and diluted earnings (losses) per:					
Common and Preferred shares	0.55	(0.01)	(0.37)	(0.65)	(0.56)
Common and Preferred ADS	1.10	(0.02)	(0.74)	(1.30)	(1.12)
Cash dividends per(6):					
Common shares	0.07				
Preferred shares	0.24				
Common ADS	0.14				
Preferred ADS	0.48				

(1) In 2018, we recognized the effects of the settlement of open matters with the DoJ and the SEC investigation, in the amount of U.S.$853 million. We also recognized impairment losses of U.S.$2,005 million.

(2) In 2017, we recognized U.S.$3,449 million as other income and expenses, due to the provision for legal proceedings relating to the agreement to settle our consolidated class action before the United States District

Court for the Southern District of New York. We also recognized impairment losses of U.S.$1,191 million.

(3) In 2016, we recognized impairment losses of U.S.$6,193 million.

(4) In 2015, we recognized impairment losses of U.S.$12,299 million.

(5) In 2014, we recognized impairment losses of U.S.$16,823 million.

(6) Pre-tax interest on capital and/or dividends proposed for the year. Amounts were based on the exchange rate prevailing at the date of the approval, except for the complement of minimum mandatory dividends, based on the closing exchange rate at the date of the financial statements.

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CAPITALIZATION

The following table sets out the consolidated debt and capitalization of Petrobras as of December 31, 2018, which is derived from our audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB, as adjusted to give effect to the issue of the Notes offered hereby (including the underwriting discount indicated on the cover page of this prospectus supplement), but without giving effect to the application of net cash proceeds of this offering. We intend to use the net cash proceeds of this offering to repurchase Old Notes in the Tender Offer announced concurrently with this offering. This amount is subject to the actual number of Old Notes tendered and accepted for purchase in the Tender Offer. See Use of Proceeds.

	As of December 31, 2018	
	Actual	As Adjusted
	(U.S.$ million)	
Finance lease obligations:		
Current portion of finance lease obligations	23	23
Non-current portion	162	162
Total finance lease obligations	185	185
Total debt:		
Current portion of total debt	3,667	
Non-current portion of total debt	80,508	
Total debt:	84,175	
Foreign currency denominated	68,167	
Local currency denominated	16,008	16,008
Total debt	84,175	
Non-controlling interest	1,631	1,631
Petrobras s equity(1)	71,544	71,544
Total capitalization	157,535	

(1) Comprising (a) 7,442,454,142 shares of common stock and (b) 5,602,042,788 shares of preferred stock, in each case with no par value and in each case which have been authorized and issued.

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DESCRIPTION OF THE NOTES

The following description of the terms of the Notes supplements and modifies the description of the general terms and provisions of debt securities and the indentures set forth in the accompanying prospectus, which you should read in conjunction with this prospectus supplement. In addition, we urge you to read the indentures, the amended and restated twenty-fifth supplemental indenture in connection with the 2029 Notes, and the first supplemental indenture in connection with the 20 Notes, because they will define your rights as holders of the 2029 Notes and the 20 Notes, respectively. If the description of the terms of the Notes in this prospectus supplement differs in any way from that in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. You may obtain copies of the indentures, the first supplemental indenture and the amended and restated twenty-fifth supplemental indenture upon written request to the trustee or with the SEC at the addresses set forth under Where You Can Find More Information.

The Amended and Restated Twenty-Fifth Supplemental Indenture and the First Supplemental Indenture.

PGF will issue the 2029 Notes under an indenture dated as of August 29, 2012 between PGF and The Bank of New York Mellon, a New York banking corporation, as trustee, filed by Petrobras with the SEC in August 2012. This indenture will be supplemented by the amended and restated twenty-fifth supplemental indenture, dated as of the closing date, among PGF, Petrobras and The Bank of New York Mellon, as trustee, which provide the specific terms of the 2029 Notes offered by this prospectus supplement, including granting holders rights against Petrobras under the guaranties.

PGF will issue the 20 Notes under an indenture dated as of August 28, 2018 between PGF and The Bank of New York Mellon, a New York banking corporation, as trustee, filed by Petrobras with the SEC in August 2018. This indenture will be supplemented by the first supplemental indenture, dated as of the closing date, among PGF, Petrobras and The Bank of New York Mellon, as trustee, which provide the specific terms of the 20 Notes offered by this prospectus supplement, including granting holders rights against Petrobras under the guaranties.

Whenever we refer to (i) the 2029 notes indenture in this prospectus supplement, we are referring to the indenture dated as of August 29, 2012, as supplemented by the amended and restated twenty-fifth supplemental indenture, and (ii) the 20 notes indenture in this prospectus supplement, we are referring to the indenture dated as of August 28, 2018, as supplemented by the first supplemental indenture.

2029 Notes

The 2029 Notes will be general, senior, unsecured and unsubordinated obligations of PGF having the following basic terms:

The title of the 2029 Notes will be the 5.750% Global Notes due 2029;

The 2029 Notes will:

be issued in an aggregate principal amount of U.S.$; and considering the amount of the 2029 Original Notes outstanding, the aggregate principal amount of this series of notes will be U.S.$;

mature on February 1, 2029;

bear interest at a rate of 5.750% per annum from February 1, 2019, the most recent interest payment date of the 2029 Original Notes, until maturity or early redemption and until all required amounts due in respect of the 2029 Notes have been paid;

be issued in global registered form without interest coupons attached;

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be issued and may be transferred only in principal amounts of U.S.$2,000 and in integral multiples of U.S.$1,000 in excess thereof;

be unconditionally guaranteed by Petrobras pursuant to a guaranty described below under Guaranties and

be consolidated, form a single series, and be fully fungible, with PGF s outstanding 2029 Original Notes.

All payments of principal and interest on the 2029 Notes will be paid in U.S. dollars;

Interest on the 2029 Notes will be paid semi-annually on February 1 and August 1 of each year (each of which we refer to as an interest payment date), commencing on August 1, 2019 and the regular record date for any interest payment date will be the business day preceding that date; and

In the case of amounts not paid by PGF under the 2029 notes indenture and the 2029 Notes (or Petrobras under the guaranty for the 2029 Notes), interest will continue to accrue on such amounts at a default rate equal to 0.5% in excess of the interest rate on the 2029 Notes, from and including the date when such amounts were due and owing and through and excluding the date of payment of such amounts by PGF or Petrobras.

Despite the Brazilian government s ownership interest in Petrobras, the Brazilian government is not responsible in any manner for PGF s obligations under the 2029 Notes or Petrobras s obligations under the guaranty for the 2029 Notes.

20 Notes

The 20 Notes will be general, senior, unsecured and unsubordinated obligations of PGF having the following basic terms:

The title of the 20 Notes will be the % Global Notes due 20 ;

The 20 Notes will:

be issued in an aggregate principal amount of U.S.$;

mature on , 20 ;

bear interest at a rate of % per annum from , 2019, the date of issuance of the 20 Notes, until maturity or early redemption and until all required amounts due in respect of the 20 Notes have been paid;

be issued in global registered form without interest coupons attached;

be issued and may be transferred only in principal amounts of U.S.$2,000 and in integral multiples of U.S.$1,000 in excess thereof; and

be unconditionally guaranteed by Petrobras pursuant to a guaranty described below under Guaranties.

All payments of principal and interest on the 20 Notes will be paid in U.S. dollars;

Interest on the 20 Notes will be paid semi-annually on and of each year (each of which we refer to as an interest payment date), commencing on , 20 and the regular record date for any interest payment date will be the business day preceding that date; and

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In the case of amounts not paid by PGF under the 20 notes indenture and the 20 Notes (or Petrobras under the guaranty for the 20 Notes), interest will continue to accrue on such amounts at a default rate equal to 0.5% in excess of the interest rate on the 20 Notes, from and including the date when such amounts were due and owing and through and excluding the date of payment of such amounts by PGF or Petrobras.

Despite the Brazilian government s ownership interest in Petrobras, the Brazilian government is not responsible in any manner for PGF s obligations under the 20 Notes or Petrobras s obligations under the guaranty for the 20 Notes.

Guaranties

Petrobras will unconditionally and irrevocably guarantee the full and punctual payment when due, whether at the maturity date of the Notes, or earlier or later by acceleration or otherwise, of all of PGF s obligations now or hereafter existing under the indentures and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses or otherwise. The guaranties will be unsecured and will rank equally with all of Petrobras s other existing and future unsecured and unsubordinated debt including guaranties previously issued by Petrobras in connection with prior issuances of indebtedness. See Description of the Guaranties.

Depositary with Respect to Global Notes

The Notes will be issued in global registered form with The Depository Trust Company, or DTC, as depositary. For further information in this regard, see Clearance and Settlement.

Events of Default

The following events will be events of default with respect to each series of the Notes:

- PGF does not pay the principal on the Notes of such series within seven calendar days of its due date and the trustee has not received such amounts from Petrobras under the relevant guaranty by the end of that seven-day period.

- PGF does not pay interest or other amounts, including any additional amounts, on the Notes of such series within 30 calendar days of their due date and the trustee has not received such amounts from Petrobras under the relevant guaranty by the end of that 30-day period.

- PGF or Petrobras remains in breach of any covenant or any other term in respect of the Notes of such series issued under the indenture or guaranty for such series for 60 calendar days after receiving a notice of default stating that it is in breach. The notice must be sent by either the trustee or holders of 25% of the principal amount of such series of the Notes.

- The maturity of any indebtedness of PGF or Petrobras or a material subsidiary in a total aggregate principal amount of U.S.$200,000,000 (or its equivalent in another currency) or more is accelerated in accordance with the terms of that indebtedness, it being understood that prepayment or redemption by us or a material subsidiary of any indebtedness is not acceleration for this purpose.

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

If proceedings are initiated against PGF, Petrobras or any material subsidiary under any applicable bankruptcy, reorganization, insolvency, moratorium or intervention law or law with similar effect, or under any other law for the relief of, or relating to, debtors, and such proceeding is not dismissed or stayed within 90 calendar days.

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

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

PGF or Petrobras or any material subsidiary files an application for the appointment of an administrative or other receiver, manager or administrator, or any such or other similar official, in relation to PGF or Petrobras or any material subsidiary, or PGF or Petrobras or any material subsidiary takes legal action for a readjustment or deferment of any part of its indebtedness.

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

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

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

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

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

For purposes of the events of default:

indebtedness means any obligation (whether present or future, actual or contingent and including any guaranty) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and all leases which, under IFRS, would be a capital lease obligation).

material subsidiary means, as to any person, any subsidiary of such person which, on any given date of determination accounts for more than 15% of such person s total consolidated assets (as set forth on such person s most recent consolidated financial statements prepared in accordance with IFRS).

Covenants

PGF will be subject to the following covenants with respect to the Notes of each series:

Payment of Principal and Interest

PGF will duly and punctually pay the principal of and any premium and interest and other amounts (including any additional amounts in the event withholding and other taxes are imposed in Brazil or the jurisdiction of incorporation of PGF) on the Notes in accordance with the Notes and the indentures.

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Maintenance of Corporate Existence

PGF will maintain its corporate existence and take all reasonable actions to maintain all rights, privileges and the like necessary or desirable in the normal conduct of business, activities or operations, unless PGF s board of directors determines that maintaining such rights and privileges is no longer desirable in the conduct of PGF s business and is not disadvantageous in any material respect to holders.

Maintenance of Office or Agency

So long as Notes are outstanding, PGF will maintain in the Borough of Manhattan, the City of New York, an office or agency where notices to and demands upon it in respect of the indentures and the Notes may be served.

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

Ranking

PGF will ensure that the Notes will at all times constitute its general senior, unsecured and unsubordinated obligations and will rank *pari passu*, without any preferences among themselves, with all of its other present and future unsecured and unsubordinated obligations (other than obligations preferred by statute or by operation of law).

Use of Proceeds

PGF intends to use the net proceeds from the sale of the Notes to repay existing indebtedness and the remainder, if any, for general corporate purposes. See Use of Proceeds.

Statement by Managing Directors as to Default

PGF will deliver to the trustee, within 90 calendar days after the end of its fiscal year, a directors certificate, stating whether or not to the best knowledge of its signers thereof there is an event of default in connection with the performance and observance of any of the terms, provisions and conditions of the indentures or the Notes and, if there is such an event of default by PGF, specifying all such events of default and their nature and status of which the signers may have knowledge.

Provision of Financial Statements and Reports

In the event that PGF files any financial statements or reports with the SEC or publishes or otherwise makes such statements or reports publicly available in The Netherlands, the United States or elsewhere, PGF will furnish a copy of the statements or reports to the trustee within 15 calendar days of the date of filing or the date the information is published or otherwise made publicly available. As long as the financial statements or reports are publicly available and accessible electronically by the trustee, the filing or electronic publication of such financial statements or reports will comply with PGF s obligation to deliver such statements and reports to the trustee. PGF will provide to the trustee with prompt written notification at such time that PGF becomes or ceases to be a reporting company. The trustee will have no obligation to determine if and when PGF s financial statements or reports, if any, are publicity available and accessible electronically.

Along with each such financial statement or report, if any, PGF will provide a directors certificate stating (i) that a review of PGF s activities has been made during the period covered by such financial statements with a view to determining whether PGF has kept, observed, performed and fulfilled its covenants and agreements under the indentures; and (ii) that no event of default, has occurred during that period or, if one or more have actually occurred, specifying all those events and what actions have been taken and will be taken with respect to that event of default.

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Delivery of these reports, information and documents to the trustee is for informational purposes only and the trustee s receipt of any of those will not constitute constructive notice of any information contained in them or determinable from information contained in them, including PGF s compliance with any of its covenants under the indentures (as to which the trustee is entitled to rely exclusively on directors certificates).

Appointment to Fill a Vacancy in Office of Trustee

PGF, whenever necessary to avoid or fill a vacancy in the office of trustee, will appoint a successor trustee in the manner provided in the indentures so that there will at all times be a trustee with respect to the Notes.

Payments and Paying Agents

PGF will, prior to 3:00 p.m., New York City time, on the business day preceding any payment date of the principal of or interest on the Notes or other amounts (including additional amounts), deposit with the trustee a sum sufficient to pay such principal, interest or other amounts (including additional amounts) so becoming due.

All payments on the Notes will be subject in all cases to any applicable tax, fiscal or other laws and regulations in any jurisdictions, but without prejudice to the provisions of Additional Amounts. For the purposes of the preceding sentence, the phrase applicable tax, fiscal or other laws and regulations will include any obligation on us to withhold or deduct from a payment pursuant to Section 1471(b) of the Internal Revenue Code of 1986, as amended (the Code), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations thereunder or official interpretations thereof or any law implementing an intergovernmental approach thereto (collectively, FATCA).

Additional Amounts

Except as provided below, PGF or Petrobras, as applicable, will make all payments of amounts due under the Notes and the indentures and each other document entered into in connection with the Notes and the indentures without withholding or deducting any present or future taxes, levies, deductions or other governmental charges of any nature imposed by Brazil, the jurisdiction of PGF s incorporation (currently The Netherlands) or any jurisdiction in which PGF appoints a paying agent under the indentures, or any political subdivision of such jurisdictions (the taxing jurisdictions). If PGF or Petrobras, as applicable, is required by law to withhold or deduct any taxes, levies, deductions or other governmental charges, PGF or Petrobras, as applicable, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and pay the holders any additional amounts necessary to ensure that they receive the same amount as they would have received without such withholding or deduction. For the avoidance of doubt, the foregoing obligations shall extend to payments under the guaranties.

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

PGF or Petrobras, as applicable, will not, however, pay any additional amounts in connection with any tax, levy, deduction or other governmental charge that is imposed due to any of the following (excluded additional amounts):

- the holder has a connection with the taxing jurisdiction other than merely holding the Notes or receiving principal or interest payments on the Notes (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management, present or deemed present within the taxing jurisdiction);

any tax imposed on, or measured by, net income;

the holder fails to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the taxing jurisdiction, if (i) such compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the tax, levy, deduction or other governmental charge, (ii) the holder

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is able to comply with such requirements without undue hardship and (iii) at least 30 calendar days prior to the first payment date with respect to which such requirements under the applicable law, regulation, administrative practice or treaty will apply, PGF or Petrobras, as applicable, has notified all holders or the trustee that they will be required to comply with such requirements;

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

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

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

PGF shall promptly pay when due any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that are imposed by a taxing jurisdiction from any payment under the Notes or under any other document or instrument referred to in the indentures or from the execution, delivery, enforcement or registration of the Notes or any other document or instrument referred to in the indentures. PGF shall indemnify and make whole the holders of the Notes for any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies payable by PGF as provided in this paragraph paid by such holder. As provided in Payments and Paying Agents, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to FATCA, and we will not be required to pay any additional amounts on account of any such deduction or withholding required pursuant to FATCA.

Negative Pledge

So long as any Notes of a series remains outstanding, PGF will not create or permit any lien, other than a PGF permitted lien, on any of its assets to secure (i) any of its indebtedness or (ii) the indebtedness of any other person, unless PGF contemporaneously creates or permits such lien to secure equally and ratably its obligations under such series of Notes as is duly approved by a resolution of the holders of such series of Notes in accordance with the indenture for such series. In addition, PGF will not allow any of its material subsidiaries, if any, to create or permit any lien, other than a PGF permitted lien, on any of its assets to secure (i) any of its indebtedness; (ii) any of the material subsidiary s indebtedness or (iii) the indebtedness of any other person, unless it contemporaneously creates or permits the lien to secure equally and ratably its obligations under such series of Notes and the relevant indenture or PGF provides such other security for such series of Notes and the relevant indenture as is duly approved by a resolution of the holders of such series of Notes in accordance with the relevant indenture. This covenant is subject to a number of important exceptions, including an exception that permits PGF to grant liens in respect of indebtedness the principal amount of which, in the aggregate, together with all other liens not otherwise described in a specific exception, does not exceed 20% of PGF s consolidated total assets (as determined in accordance with IFRS) at any time as at which PGF s balance sheet is prepared and published in accordance with applicable law.

Limitation on Consolidation, Merger, Sale or Conveyance

PGF will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease, spin-off or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect subsidiary of Petrobras) or permit any person (other than a direct or indirect subsidiary of PGF) to merge with or into it unless such consolidation, amalgamation, merger, lease, spin-off or transfer of properties, assets or revenues does not violate any provision of Dutch financial regulatory laws and:

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

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

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

PGF has delivered to the trustee a directors certificate and an opinion of counsel, each stating that the transaction, and each supplemental indenture relating to the transaction, comply with the terms of the relevant indenture, and that all conditions precedent provided for in such indenture and relating to the transaction have been complied with; and

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

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

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

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

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

any direct or indirect subsidiary of PGF may liquidate or dissolve if PGF determines in good faith that the liquidation or dissolution is in the best interests of Petrobras, and would not result in a material adverse effect on PGF and its subsidiaries taken as a whole and if the liquidation or dissolution is part of a corporate reorganization of PGF or Petrobras.

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

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

As used above, the following terms have the meanings set forth below:

indebtedness means any obligation (whether present or future, actual or contingent and including any guaranty) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and all leases which, under IFRS, would be a capital lease obligation).

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A guaranty means an obligation of a person to pay the indebtedness of another person including, without limitation:

an obligation to pay or purchase such indebtedness;

an obligation to lend money or to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

an indemnity against the consequences of a default in the payment of such indebtedness; or

any other agreement to be responsible for such indebtedness.

A lien means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance on any property or asset including, without limitation, any equivalent created or arising under applicable law.

A PGF permitted lien means any:

(a) lien arising by operation of law, such as merchants , maritime or other similar liens arising in PGF s ordinary course of business or that of any subsidiary or lien in respect of taxes, assessments or other governmental charges that are not yet delinquent or that are being contested in good faith by appropriate proceedings;

(b) lien arising from PGF s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with PGF s past practice;

(c) lien arising in the ordinary course of business in connection with indebtedness maturing not more than one year after the date on which that indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;

(d) lien granted upon or with respect to any assets hereafter acquired by PGF or any subsidiary to secure the acquisition costs of those assets or to secure indebtedness incurred solely for the purpose of financing the acquisition of those assets, including any lien existing at the time of the acquisition of those assets, so long as the maximum amount so secured does not exceed the aggregate acquisition costs of all such assets or the aggregate indebtedness incurred solely for the acquisition of those assets, as the case may be;

(e) lien granted in connection with indebtedness of a wholly-owned subsidiary owing to PGF or another wholly-owned subsidiary;

(f)

lien existing on any asset or on any stock of any subsidiary prior to the acquisition thereof by PGF or any subsidiary, so long as the lien is not created in anticipation of that acquisition;

(g) lien existing as of the date of the original issuance of the 2029 Notes, with respect to the 2029 Notes, or the date of the original issuance of the 20 Notes with respect to the 20 Notes;

(h) lien resulting from the relevant indenture or the relevant guaranty, if any;

(i) lien incurred in connection with the issuance of debt or similar securities of a type comparable to those already issued by PGF, on amounts of cash or cash equivalents on deposit in any reserve or similar account to pay interest on those securities for a period of up to 24 months as required by any rating agency as a condition to the rating agency rating those securities as investment grade;

(j) lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any indebtedness secured by liens referred to in paragraphs (a) through (i) above (but not paragraph (c)), so long as the lien does not extend to any other property, the principal amount of the indebtedness secured by the lien is not increased, and in the case of paragraphs (a), (b) and (f), the obligees meet the requirements of the applicable paragraph; and

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(k) lien in respect of indebtedness the principal amount of which in the aggregate, together with all other liens not otherwise qualifying as PGF permitted liens pursuant to another part of this definition of PGF permitted liens, does not exceed 20% of PGF s consolidated total assets (as determined in accordance with IFRS) at any date as at which PGF s balance sheet is prepared and published in accordance with applicable law.

A wholly-owned subsidiary means, with respect to any corporate entity, any person of which 100% of the outstanding capital stock (other than qualifying shares, if any) having by its terms ordinary voting power (not dependent on the happening of a contingency) to elect the board of directors (or equivalent controlling governing body) of that person, is at the time owned or controlled directly or indirectly by that corporate entity, by one or more wholly-owned subsidiaries of that corporate entity or by that corporate entity and one or more wholly-owned subsidiaries.

Optional Redemption

PGF will not be permitted to redeem the Notes before their stated maturity, except as set forth below. The Notes will not be entitled to the benefit of any sinking fund (we will not deposit money on a regular basis into any separate account to repay your Notes). In addition, you will not be entitled to require us to repurchase your Notes from you before the stated maturity.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless we default in the payment of the redemption price and accrued and unpaid interest). On or before the business day prior to any redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued and unpaid interest to the redemption date on the Notes to be redeemed on such date. If less than all of the Notes of any series are to be redeemed, the Notes to be redeemed shall be selected by the trustee by such method as set forth in the indentures.

Optional Redemption With Make-Whole Amount for the Notes

PGF will have the right at our option to redeem the Notes, in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days but not more than 60 days notice with respect to the 2029 Notes, or on at least 15 days but not more than 60 days notice with respect to the 20 Notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such Notes and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points with respect to the 2029 Notes and plus basis points with respect to the 20 Notes (in each case, the Make-Whole Amount), plus in each case accrued and unpaid interest on the principal amount of such Notes to the date of redemption. The redemption notice with respect to the 20 Notes may at PGF s option be subject to the satisfaction of one or more conditions precedent, and such notice may be rescinded or the redemption date delayed in the event that any or all such conditions shall not have been satisfied by the redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

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Independent Investment Banker means one of the Reference Treasury Dealers appointed by us.

Comparable Treasury Price means, with respect to any redemption date (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer means each of (i) with respect to the 2029 Notes, BNP Paribas Securities Corp., Citigroup Global Markets Inc. and Mizuho Securities USA LLC, or, in each case, their respective affiliates, which are primary United States government security dealers, and (ii) with respect to the 20 Notes, BNP Paribas Securities Corp., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc. and a primary United States government securities dealer selected by Santander Investment Securities Inc., and in each case two other leading primary United States government securities dealers in New York City reasonably designated by us in writing; provided, however, that if any of the foregoing shall cease to be a primary United States government securities dealer in New York City (a Primary Treasury Dealer), we will substitute therefor another Primary Treasury Dealer.

Reference Treasury Dealer Quotation means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time on the third business day preceding such redemption date.

On and after the redemption date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption (unless we default in the payment of the redemption price and accrued and unpaid interest). On or before the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued and unpaid interest to the redemption date on the Notes to be redeemed on such date. If less than all of the Notes of any series are to be redeemed, the Notes to be redeemed shall be selected by the trustee by such method as set forth in the relevant indenture.

Redemption for Taxation Reasons

We have the option, subject to certain conditions, to redeem each series of the Notes in whole at their principal amount, plus accrued and unpaid interest, if any, to the relevant date of redemption, if and when, as a result of a change in, execution of, or amendment to, any laws or treaties or the official application or interpretation of any laws or treaties, we would be required to pay additional amounts related to the deduction of certain withholding taxes in respect of certain payments on such series of the Notes. See Description of Debt Securities Special Situations Optional Tax Redemption in the accompanying prospectus.

The Optional Tax Redemption set forth in the accompanying prospectus shall apply with the reincorporation of PGF being treated as the adoption of a successor entity. Such redemption shall not be available if the reincorporation was performed in anticipation of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties in such new jurisdiction of incorporation that would result in the obligation to pay additional amounts.

Amendments

See Description of Debt Securities Special Situations Modification and Waiver in the accompanying prospectus.

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Changes Not Requiring Approval of Holders of 2029 Notes

Changes to the 2029 notes indenture and the 2029 Notes that do not require approval of holders are limited to clarifications of ambiguities, omissions, defects and inconsistencies, amendments, supplements and other changes that would not adversely affect holders of the 2029 Notes in any material respect, such as adding covenants, additional events of default or successor trustees.

Further Issuances

The indenture for each series by its terms does not limit the aggregate principal amount of securities that may be issued under it and permits the issuance, from time to time, of additional notes (also referred to as add-on Notes) of the same series as those offered under this prospectus supplement. The ability to issue add-on Notes is subject to several requirements, however, including that (i) no event of default under the relevant indenture or event that with the passage of time or other action may become an event of default (such event being a default) will have occurred and then be continuing or will occur as a result of that additional issuance, (ii) the add-on Notes will rank *pari passu* and have equivalent terms and benefits as the Notes offered under this prospectus supplement except for the price to the public and the issue date and (iii) any add on Notes shall be issued under a separate CUSIP or ISIN number unless the add on Notes are issued pursuant to a qualified reopening of the original series, are otherwise treated as part of the same issue of debt instruments as the original series or are issued with no more than *de minimis* amount of original discount, in each case for U.S. federal income tax purposes. Any add-on Notes with respect to any series of the Notes will be part of the same series as such Notes that PGF is currently offering and the holders will vote on all matters in relation to the applicable Notes as a single series.

Covenant Defeasance

Any restrictive covenants of the indentures may be defeased as described in the accompanying prospectus.

Conversion

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

Listing

The 2029 Original Notes are listed on the NYSE under the symbol PBR/29. PGF intends to apply to have the 20 Notes approved for listing on the NYSE.

Currency Rate Indemnity

PGF has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency (the judgment currency) other than U.S. dollars (the denomination currency), PGF will indemnify the relevant holder and the trustee against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from PGF s other obligations under the indentures, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due in respect of the relevant Note or under any judgment or order described above.

The Trustee, Paying Agent and Transfer Agent

The Bank of New York Mellon, a New York banking corporation, is the trustee under the indentures and has been appointed by PGF as registrar, paying agent and transfer agent with respect to the Notes. The address of the trustee is 240 Greenwich Street, 7E, New York, New York 10286. PGF will at all times maintain a paying agent in New York City until the Notes are paid.

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Any corporation or association into which the trustee or any agent named above may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the trustee or any agent shall be a party, or any corporation or association to which all or substantially all of the corporate trust business of the trustee or any agent may be sold or otherwise transferred, shall be the successor trustee or relevant agent, as applicable, hereunder without any further act.

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DESCRIPTION OF THE GUARANTIES

General

In connection with the execution and delivery of the first supplemental indenture and the amended and restated twenty-fifth supplemental indenture and the Notes offered by this prospectus supplement, Petrobras will guarantee the 2029 Notes and the 20 Notes (the guaranties) for the benefit of the holders.

The guaranties will provide that Petrobras will unconditionally and irrevocably guarantee the Notes on the terms and conditions described below.

The following summary describes the material provisions of the guaranties. You should read the more detailed provisions of the applicable guaranty, including the defined terms, for provisions that may be important to you. This summary is subject to, and qualified in its entirety by reference to, the provisions of the applicable guaranty.

Despite the Brazilian government s ownership interest in Petrobras, the Brazilian government is not responsible in any manner for PGF s obligations under the Notes, or Petrobras s obligations under the guaranties.

Ranking

The obligations of Petrobras under the guaranties will constitute general unsecured obligations of Petrobras which at all times will rank *pari passu*, without any preferences among themselves, with all other senior unsecured obligations of Petrobras that are not, by their terms, expressly subordinated in right of payment to the obligations of Petrobras under the guaranties.

In addition, Petrobras s obligations under the guaranties of the Notes rank, and will rank, *pari passu* with its obligations in respect of outstanding and future guaranties of indebtedness issued by PGF.

Nature of Obligation

Petrobras will unconditionally and irrevocably guarantee (by way of a first demand guarantee) the full and punctual payment when due, whether at the maturity date of the Notes, or earlier or later by acceleration or otherwise, of all of PGF s obligations now or hereafter existing under the indentures and the Notes, whether for principal, interest, make-whole premium, fees, indemnities, costs, expenses, tax payments or otherwise (such obligations being referred to as the guaranteed obligations).

The obligation of Petrobras to pay amounts in respect of the guaranteed obligations will be absolute and unconditional (thus waiving any benefits of order set forth under Brazilian law, including those established in articles 827, 834, 835, 838 and 839 of the Brazilian Civil Code, under article 794, caput, of the Brazilian Civil Procedure Code) upon failure of PGF to make, at the maturity date of the Notes or earlier upon any acceleration or otherwise of the applicable Notes in accordance with the terms of the indentures, any payment in respect of principal, interest or other amounts due under the applicable the indenture and series of the Notes on the date any such payment is due. If PGF fails to make payments to the trustee in respect of the guaranteed obligations, Petrobras will, upon notice from the trustee, immediately pay to the trustee such amount of the guaranteed obligations payable under the indentures and the Notes. All amounts payable by Petrobras under the guaranties will be payable in U.S. dollars and in immediately available funds to the trustee. Petrobras will not be relieved of its obligations under any guaranty unless and until the trustee receives all amounts required to be paid by Petrobras under such guaranty (and any related event of default under the relevant indenture has been cured), including payment of the total non-payment overdue interest.

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Events of Default

There are no events of default under the guaranties. The first supplemental indenture and the amended and restated twenty-fifth supplemental indenture, however, contain events of default relating to Petrobras that may trigger an event of default and acceleration of the 2029 Notes or the 20 Notes. See Description of the Notes Events of Default. Upon any such acceleration (including any acceleration arising out of the insolvency or similar events relating to Petrobras), if PGF fails to pay all amounts then due under the 2029 Notes or the 20 Notes, as applicable, and the relevant indenture, Petrobras will be obligated to make such payments pursuant to the relevant guaranty.

Covenants

For so long as any of the 2029 Notes or the 20 Notes, as applicable, are outstanding and Petrobras has obligations under the guaranties, Petrobras will, and will cause each of its subsidiaries, as applicable, to comply with the terms of the following covenants:

Performance Obligations under the Guaranties and Indentures

Petrobras will pay all amounts owed by it and comply with all its other obligations under the terms of the relevant guaranty and the relevant indenture in accordance with the terms of those agreements.

Maintenance of Corporate Existence

Petrobras will maintain in effect its corporate existence and all necessary registrations and take all actions to maintain all rights, privileges, titles to property, franchises, concessions and the like necessary or desirable in the normal conduct of its business, activities or operations. However, this covenant will not require Petrobras to maintain any such right, privilege, title to property or franchise if the failure to do so does not, and will not, have a material adverse effect on Petrobras taken as a whole or have a materially adverse effect on the rights of the holders of the Notes.

Maintenance of Office or Agency

So long as a series of the Notes is outstanding, Petrobras will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices to and demands upon Petrobras in respect of the guaranty for such series may be served.

Initially, this office will be located at 570 Lexington Avenue, Suite 2401, New York, New York 10022-6837. Petrobras will not change the designation of an office or the appointment of an agent without prior written notice to the trustee and designating a replacement office or agent in the same general location.

Ranking

Petrobras will ensure at all times that its obligations under the guaranties will be its general senior unsecured and unsubordinated obligations and will rank *pari passu*, with all other present and future senior unsecured and unsubordinated obligations of Petrobras (other than obligations preferred by statute or by operation of law) that are not, by their terms, expressly subordinated in right of payment to the obligations of Petrobras under the guaranties.

Provision of Financial Statements and Reports

Petrobras will provide to the trustee, in English or accompanied by a certified English translation thereof, (i) within 90 calendar days after the end of each fiscal quarter (other than the fourth quarter), its unaudited and consolidated balance sheet and statement of income calculated in accordance with IFRS, and (ii) within 120 calendar days after the end of each fiscal year, its audited and consolidated balance sheet and statement of income calculated in accordance with IFRS. As long as the financial statements or reports are publicly available and accessible

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electronically by the trustee, the filing or electronic publication of such financial statements or reports will comply with the Petrobras s obligation to deliver such statements and reports to the trustee. The trustee will have no obligation to determine if and when Petrobras s financial statements or reports, if any, are publicity available and accessible electronically.

Along with each such financial statement or report, if any, Petrobras will provide an officers certificate stating that a review of Petrobras s and PGF s activities has been made during the period covered by such financial statements with a view to determining whether Petrobras and PGF have kept, observed, performed and fulfilled their covenants and agreements under the guaranties and the indentures, as applicable, and that no event of default has occurred during such period.

In addition, whether or not Petrobras is required to file reports with the SEC, Petrobras will file with the SEC and deliver to the trustee (for redelivery to all holders of the Notes, upon written request, of the 2029 Notes or the 20 Notes, as applicable) all reports and other information it would be required to file with the SEC under the Exchange Act if it were subject to those regulations. If the SEC does not permit the filing described above, Petrobras will provide annual and interim reports and other information to the trustee within the same time periods that would be applicable if Petrobras were required and permitted to file these reports with the SEC.

Delivery of these reports, information and documents to the trustee is for informational purposes only and the trustee s receipt of any of those shall not constitute constructive notice of any information contained in them or determinable from information contained therein, including Petrobras s compliance with any of its covenants in the guaranties (as to which the trustee is entitled to rely exclusively on officer s certificates).

Negative Pledge

So long as any Note of a series remains outstanding, Petrobras will not create or permit any lien, other than a Petrobras permitted lien, on any of its assets to secure (i) any of its indebtedness or (ii) the indebtedness of any other person, unless Petrobras contemporaneously creates or permits the lien to secure equally and ratably its obligations under the guaranties or Petrobras provides other security for its obligations under the relevant guaranty and the relevant indenture as is duly approved by a resolution of the holders of each series of the Notes in accordance with the relevant indenture. In addition, Petrobras will not allow any of its material subsidiaries, if any, to create or permit any lien, other than a Petrobras permitted lien, on any of Petrobras s assets to secure (i) any of its indebtedness; (ii) any of the material subsidiary s indebtedness or (iii) the indebtedness of any other person, unless Petrobras contemporaneously creates or permits the lien to secure equally and ratably Petrobras s obligations under the relevant guaranty and the relevant indenture or Petrobras provides such other security for its obligations under the relevant guaranty and the relevant indenture as is duly approved by a resolution of the holders of each series of the Notes in accordance with the relevant indenture.

As used in this Negative Pledge section, the following terms have the respective meanings set forth below:

A guaranty means an obligation of a person to pay the indebtedness of another person including without limitation:

an obligation to pay or purchase such indebtedness;

an obligation to lend money, to purchase or subscribe for shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

an indemnity against the consequences of a default in the payment of such indebtedness; or

any other agreement to be responsible for such indebtedness.

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Indebtedness means any obligation (whether present or future, actual or contingent and including, without limitation, any guaranty) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and all leases which, under generally accepted accounting principles in the country of incorporation of the relevant obligor, would constitute a capital lease obligation).

A lien means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance on any property or asset including, without limitation, any equivalent created or arising under applicable law.

A project financing of any project means the incurrence of indebtedness relating to the exploration, development, expansion, renovation, upgrade or other modification or construction of such project pursuant to which the providers of such indebtedness or any trustee or other intermediary on their behalf or beneficiaries designated by any such provider, trustee or other intermediary are granted security over one or more qualifying assets relating to such project for repayment of principal, premium and interest or any other amount in respect of such indebtedness.

A qualifying asset in relation to any project means:

any concession, authorization or other legal right granted by any governmental authority to Petrobras or any of Petrobras s subsidiaries, or any consortium or other venture in which Petrobras or any subsidiary has any ownership or other similar interest;

any drilling or other rig, any drilling or production platform, pipeline, marine vessel, vehicle or other equipment or any refinery, oil or gas field, processing plant, real property (whether leased or owned), right of way or plant or other fixtures or equipment;

any revenues or claims that arise from the operation, failure to meet specifications, failure to complete, exploitation, sale, loss or damage to, such concession, authorization or other legal right or such drilling or other rig, drilling or production platform, pipeline, marine vessel, vehicle or other equipment or refinery, oil or gas field, processing plant, real property, right of way, plant or other fixtures or equipment or any contract or agreement relating to any of the foregoing or the project financing of any of the foregoing (including insurance policies, credit support arrangements and other similar contracts) or any rights under any performance bond, letter of credit or similar instrument issued in connection therewith;

any oil, gas, petrochemical or other hydrocarbon-based products produced or processed by such project, including any receivables or contract rights arising therefrom or relating thereto and any such product (and such receivables or contract rights) produced or processed by other projects, fields or assets to which the lenders providing the project financing required, as a condition therefore, recourse as security in addition to that produced or processed by such project; and

shares or other ownership interest in, and any subordinated debt rights owing to Petrobras by, a special purpose company formed solely for the development of a project, and whose principal assets and business are constituted by such project and whose liabilities solely relate to such project.

A Petrobras permitted lien means a:

(a) lien granted in respect of indebtedness owed to the Brazilian government, *Banco Nacional de Desenvolvimento Econômico e Social* or any official government agency or department of Brazil or of any state or region of Brazil;

(b) lien arising by operation of law, such as merchants , maritime or other similar liens arising in Petrobras s ordinary course of business or that of any subsidiary or lien in respect of taxes, assessments or other governmental charges that are not yet delinquent or that are being contested in good faith by appropriate proceedings;

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(c) lien arising from Petrobras s obligations under performance bonds or surety bonds and appeal bonds or similar obligations incurred in the ordinary course of business and consistent with Petrobras s past practice;

(d) lien arising in the ordinary course of business in connection with indebtedness maturing not more than one year after the date on which that indebtedness was originally incurred and which is related to the financing of export, import or other trade transactions;

(e) lien granted upon or with respect to any assets hereafter acquired by Petrobras or any subsidiary to secure the acquisition costs of those assets or to secure indebtedness incurred solely for the purpose of financing the acquisition of those assets, including any lien existing at the time of the acquisition of those assets, so long as the maximum amount so secured will not exceed the aggregate acquisition costs of all such assets or the aggregate indebtedness incurred solely for the acquisition of those assets, as the case may be;

(f) lien granted in connection with the indebtedness of a wholly-owned subsidiary owing to Petrobras or another wholly-owned subsidiary;

(g) lien existing on any asset or on any stock of any subsidiary prior to its acquisition by Petrobras or any subsidiary so long as that lien is not created in anticipation of that acquisition;

(h) lien over any qualifying asset relating to a project financed by, and securing indebtedness incurred in connection with, the project financing of that project by Petrobras, any of Petrobras s subsidiaries or any consortium or other venture in which Petrobras or any subsidiary has any ownership or other similar interest;

(i) lien existing as of the date of the original issuance of the 2029 Original Notes, with respect to the 2029 Notes, or the date of the original issuance of the 20 Notes with respect to the 20 Notes;

(j) lien resulting from the relevant indenture or the relevant guaranty, if any;

(k) lien incurred in connection with the issuance of debt or similar securities of a type comparable to those already issued by Petrobras, on amounts of cash or cash equivalents on deposit in any reserve or similar account to pay interest on such securities for a period of up to 24 months as required by any rating agency as a condition to such rating agency rating such securities investment grade, or as is otherwise consistent with market conditions at such time;

(l) lien granted or incurred to secure any extension, renewal, refinancing, refunding or exchange (or successive extensions, renewals, refinancings, refundings or exchanges), in whole or in part, of or for any indebtedness secured by any lien referred to in paragraphs (a) through (k) above (but not paragraph (d)), *provided that* such lien does not extend to any other property, the principal amount of the indebtedness secured by the lien is not increased, and in the case of paragraphs (a), (b), (c) and (g), the obligees meet the requirements of that

paragraph, and in the case of paragraph (h), the indebtedness is incurred in connection with a project financing by Petrobras, any of Petrobras s subsidiaries or any consortium or other venture in which Petrobras or any subsidiary have any ownership or other similar interest; and

(m) lien in respect of indebtedness the principal amount of which in the aggregate, together with all liens not otherwise qualifying as Petrobras permitted liens pursuant to another part of this definition of Petrobras permitted liens, does not exceed 20% of Petrobras s consolidated total assets (as determined in accordance with IFRS) at any date as at which Petrobras s balance sheet is prepared and published in accordance with applicable law.

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A wholly-owned subsidiary means, with respect to any corporate entity, any person of which 100% of the outstanding capital stock (other than qualifying shares, if any) having by its terms ordinary voting power (not dependent on the happening of a contingency) to elect the board of directors (or equivalent controlling governing body) of that person is at the time owned or controlled directly or indirectly by that corporate entity, by one or more wholly-owned subsidiaries of that corporate entity or by that corporate entity and one or more wholly-owned subsidiaries.

A material subsidiary means a subsidiary of Petrobras which on any given date of determination accounts for more than 15% of Petrobras s total consolidated assets (as set forth on Petrobras s most recent balance sheet prepared in accordance with IFRS).

Limitation on Consolidation, Merger, Sale or Conveyance

Petrobras will not, in one or a series of transactions, consolidate or amalgamate with or merge into any corporation or convey, lease, spin-off or transfer substantially all of its properties, assets or revenues to any person or entity (other than a direct or indirect subsidiary of Petrobras) or permit any person (other than a direct or indirect subsidiary of Petrobras) to merge with or into it unless:

- either Petrobras is the continuing entity or the person (the successor company) formed by such consolidation or into which Petrobras is merged or that acquired (through a transfer of assets, a spin-off or otherwise) or leased such property or assets of Petrobras will assume (jointly and severally with Petrobras unless Petrobras will have ceased to exist as a result of such merger, consolidation or amalgamation), by an amendment to the applicable guaranty, all of Petrobras s obligations under such guaranty;

- the successor company (jointly and severally with Petrobras unless Petrobras will have ceased to exist as part of such merger, consolidation or amalgamation) agrees to indemnify each holder against any tax, assessment or governmental charge thereafter imposed on such holder solely as a consequence of such consolidation, merger, conveyance, spin-off, transfer or lease with respect to the payment of principal of, or interest on, the 2029 Notes or the 20 Notes, as applicable;

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

- Petrobras has delivered to the trustee an officers certificate and an opinion of counsel, each stating that that such merger, consolidation, sale, spin-off, transfer or other conveyance or disposition and the amendment to the applicable guaranty comply with the terms of the applicable guaranty and that all conditions precedent provided for in such guaranty and relating to such transaction have been complied with.

Notwithstanding anything to the contrary in the foregoing, so long as no default or event of default under the 2029 Notes indenture or the 2029 Notes, or the 20 Notes or the 20 notes indenture, as applicable, has occurred and is continuing at the time of such proposed transaction or would result therefrom and Petrobras has delivered notice of any such transaction to the trustee:

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

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

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

any direct or indirect subsidiary of Petrobras may liquidate or dissolve if Petrobras determines in good faith that such liquidation or dissolution is in the best interests of Petrobras, and would not result in a material adverse effect on Petrobras and its subsidiaries taken as a whole and if such liquidation or dissolution is part of a corporate reorganization of Petrobras.

Amendments

The guaranties may only be amended or waived in accordance with their terms pursuant to a written document which has been duly executed and delivered by Petrobras and the trustee, acting on behalf of the holders of the 2029 Notes or the 20 Notes, as applicable. Because the guaranties form part of the indentures, they may be amended by Petrobras and the trustee, in some cases without the consent of the holders of the applicable Notes. For more information on amendments to the guaranty with respect to the 20 Notes, see Description of Debt Securities Special Situations Modification and Waiver in the accompanying prospectus. For more information on amendments to the guaranty with respect to the 2029 Notes, see Description of the Notes Amendments.

Except as contemplated above, the indentures will provide that the trustee may execute and deliver any other amendment to the guaranties or grant any waiver thereof only with the consent of the holders of a majority in aggregate principal amount of the 2029 Notes or the 20 Notes then outstanding, as applicable.

Governing Law

The guaranties will be governed by the laws of the State of New York.

Jurisdiction

Petrobras has consented to the non-exclusive jurisdiction of any court of the State of New York or any U.S. federal court sitting in the Borough of Manhattan, The City of New York, New York, United States and any appellate court from any thereof. Service of process in any action or proceeding brought in such New York State federal court sitting in New York City may be served upon Petrobras at Petrobras s New York office located at 570 Lexington Avenue, Suite 2401, New York, New York 10022-6837. The guaranties provide that if Petrobras no longer maintains an office in New York City, then it will appoint a replacement process agent within New York City as its authorized agent upon which process may be served in any action or proceeding.

Waiver of Immunities

To the extent that Petrobras may in any jurisdiction claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the guaranties (or any document delivered pursuant thereto) and to the extent that in any jurisdiction there may be immunity attributed to Petrobras, PGF or their assets, whether or not claimed, Petrobras has irrevocably agreed with the trustee, for the benefit of the holders, not to claim, and to irrevocably waive, the immunity to the full extent permitted by law.

Currency Rate Indemnity

Petrobras has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any of its obligations under the guaranties is expressed in a currency (the judgment currency) other than U.S. dollars (the denomination currency), Petrobras will indemnify the relevant holder and the trustee against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from Petrobras s other obligations under the guaranties, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect.

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CLEARANCE AND SETTLEMENT

Book-Entry Issuance

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

Each of the Notes will be represented by one or more global notes. Each global note will be deposited directly with The Depository Trust Company, a securities depositary, and will be registered in the name of DTC s nominee. Global Notes may also be deposited indirectly with Clearstream, Luxembourg and Euroclear, as indirect participants of DTC. For background information regarding DTC and Clearstream, Luxembourg and Euroclear, see The Depository Trust Company and Clearstream, Luxembourg and Euroclear below. No global note representing book-entry Notes may be transferred except as a whole by DTC to a nominee of DTC, or by a nominee of DTC to another nominee of DTC. Thus, DTC will be the only registered holder of the Notes and will be considered the sole representative of the beneficial owners of the Notes for purposes of the indentures. For an explanation of the situations in which a global note will terminate and interests in it will be exchanged for physical certificates representing the Notes, see Legal Ownership Global Securities in the accompanying prospectus.

The registration of the global notes in the name of DTC s nominee will not affect beneficial ownership and is performed merely to facilitate subsequent transfers. The book-entry system, which is also the system through which most publicly traded common stock is held in the United States, is used because it eliminates the need for physical movement of securities certificates. The laws of some jurisdictions, however, may require some purchasers to take physical delivery of their Notes in definitive form. These laws may impair the ability of beneficial holders to transfer the Notes.

In this prospectus supplement, unless and until definitive (paper) Notes are issued to the beneficial owners as described in the accompanying prospectus, all references to registered holders of Notes shall mean DTC. PGF, Petrobras, the trustee and any paying agent, transfer agent, registrar or other agent may treat DTC as the absolute owner of the Notes for all purposes.

Primary Distribution

Payment Procedures

Payment for the Notes will be made on a delivery versus payment basis.

Clearance and Settlement Procedures

DTC participants that hold securities through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations in DTC s Same-Day Funds Settlement System. Notes will be credited to the securities custody accounts of these DTC participants against payment in the same-day funds, for payments in U.S. dollars, on the settlement date.

Secondary Market Trading

We understand that secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC s rules. Secondary market trading will be settled using procedures applicable to United States corporate debt obligations in DTC s Same-Day Funds Settlement System. If payment is made in U.S. dollars, settlement will be free of payment. If payment is made in other than U.S. dollars, separate payment arrangements outside of the DTC system must be made between the DTC participants involved.

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The Depository Trust Company

The policies of DTC will govern payments, transfers, exchange and other matters relating to the beneficial owner s interest in the Notes held by that owner. Neither the Trustee, Registrar, Paying Agent and Transfer Agent nor we have any responsibility for any aspect of the actions of DTC or any of their direct or indirect participants. Neither the Trustee, Registrar, Paying Agent and Transfer Agent nor we have any responsibility for any aspect of the records kept by DTC or any of their direct or indirect participants. In addition, neither the Trustee, Registrar, Paying Agent and Transfer Agent nor we supervise DTC in any way. DTC and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. Investors should be aware that DTC and its participants are not obligated to perform these procedures and may modify them or discontinue them at any time. The description of the clearing systems in this section reflects our understanding of the rules and procedures of DTC as they are currently in effect. DTC could change its rules and procedures at any time.

DTC has advised us as follows:

DTC is:

a limited purpose trust company organized under the laws of the State of New York;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to accounts of its participants. This eliminates the need for physical movement of certificates.

Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.

Indirect access to the DTC system is also available to banks, brokers, dealers and trust companies that have relationships with participants.

The rules applicable to DTC and DTC participants are on file with the SEC.

Clearstream, Luxembourg and Euroclear

Clearstream, Luxembourg has advised that: it is a duly licensed bank organized as a *société anonyme* incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the supervision of the financial sector (*Commission de surveillance du secteur financier*); it holds securities for its customers and facilitates the clearance and settlement of securities transactions among them, and does so through electronic book-entry transfers between the accounts of its customers, thereby eliminating the need for physical movement of certificates; it provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and lending and borrowing of securities; it interfaces with the domestic markets in over 30 countries through established depositary and custodial relationships; its customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other professional financial intermediaries; its U.S. customers are limited to securities brokers and dealers and banks; and indirect access to the Clearstream, Luxembourg system is also available to others that clear through Clearstream, Luxembourg customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

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Euroclear has advised that: it is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission (*Commission Bancaire et Financière*) and the National Bank of Belgium (*Banque Nationale de Belgique*); it holds securities for its participants and facilitates the clearance and settlement of securities transactions among them; it does so through simultaneous electronic book-entry delivery against payments, thereby eliminating the need for physical movement of certificates; it provides other services to its participants, including credit, custody, lending and borrowing of securities and tri-party collateral management; it interfaces with the domestic markets of several countries; its customers include banks, including central banks, securities brokers and dealers, banks, trust companies and clearing corporations and certain other professional financial intermediaries; indirect access to the Euroclear system is also available to others that clear through Euroclear customers or that have custodial relationships with Euroclear customers; and all securities in Euroclear are held on a fungible basis, which means that specific certificates are not matched to specific securities clearance accounts.

Clearance and Settlement Procedures

We understand that investors that hold their Notes through Clearstream, Luxembourg or Euroclear accounts will follow the settlement procedures that are applicable to securities in registered form. Notes will be credited to the securities custody accounts of Clearstream, Luxembourg and Euroclear participants on the business day following the settlement date for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

We understand that secondary market trading between Clearstream, Luxembourg and/or Euroclear participants will occur in the ordinary way following the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear. Secondary market trading will be settled using procedures applicable to securities in registered form.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Clearstream, Luxembourg and Euroclear on business days. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States or Brazil.

Because of time zone differences, the securities account of a Euroclear or Clearstream, Luxembourg participant purchasing an interest in a global note from a participant in DTC will be credited and reported to the relevant Euroclear or Clearstream, Luxembourg participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised us that cash received in Euroclear or Clearstream, Luxembourg as a result of sales of interests in a global note by or through a Euroclear or Clearstream, Luxembourg participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day for Euroclear or Clearstream, Luxembourg following DTC s settlement date.

Clearstream, Luxembourg or Euroclear will credit payments to the cash accounts of participants in Clearstream, Luxembourg or Euroclear in accordance with the relevant systemic rules and procedures, to the extent received by its depositary. Clearstream, Luxembourg or the Euroclear, as the case may be, will take any other action permitted to be taken by a registered holder under the indentures on behalf of a Clearstream, Luxembourg or Euroclear participant only in accordance with its relevant rules and procedures.

Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the debt securities among participants of Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

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UNDERWRITING

Under the terms and subject to the conditions contained in the underwriting agreement dated , 2019, by and among PGF, Petrobras and Banco Bradesco BBI S.A., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc. and Santander Investment Securities Inc., as representatives of the several underwriters, each underwriter has severally and not jointly agreed to purchase, and PGF has agreed to sell to the underwriters, the number of Notes set forth opposite the name of such underwriter below:

Underwriters	Principal Amount of the 2029 Notes	Principal Amount of the 20 Notes
Banco Bradesco BBI S.A.	U.S.$	U.S.$
BNP Paribas Securities Corp.		
Citigroup Global Markets Inc.		
Goldman Sachs & Co. LLC		
HSBC Securities (USA) Inc.		
Santander Investment Securities Inc.		
ABN AMRO Securities (USA) LLC		
BBVA Securities Inc.		
Commerz Markets LLC		
Total	**U.S.$**	**U.S.$**

Banco Bradesco BBI S.A. is not a broker-dealer registered with the SEC, and therefore may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco Bradesco BBI S.A. intends to effect sales of the Notes in the United States, it will do so only through Bradesco Securities Inc. or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

The underwriting agreement provides that the obligation of the underwriters to pay for and accept delivery of the Notes is subject to, among other conditions, the delivery of certain legal opinions by its counsel. The underwriters are obligated to take and pay for all of the Notes offered by this prospectus supplement if any Notes are taken. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of the non-defaulting underwriters may be increased or the offering of the Notes may be terminated. The Notes will initially be offered at the price indicated on the cover page of this prospectus supplement. After the initial offering of the Notes, the offering price and other selling terms may from time to time be varied by the underwriters. The Notes may be offered and sold through certain of the underwriters affiliates.

The underwriting agreement provides that PGF and Petrobras will indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act of 1933, as amended, and will contribute to payments the underwriters may be required to make in respect of the underwriting agreement.

PGF has been advised by the underwriters that the underwriters intend to make a market in the Notes as permitted by applicable laws and regulations. The underwriters are not obligated, however, to make a market in the Notes and any such market-making may be discontinued at any time at the sole discretion of the underwriters. In addition, such market-making activity will be subject to the limits imposed by the Exchange Act. Accordingly, no assurance can be

given as to the liquidity of, or the development or continuation of trading markets for, the Notes.

In connection with this offering, the underwriters (or persons acting on their behalf) participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the underwriters (or persons acting on their behalf) may bid for and purchase Notes in the open market to stabilize the price of the Notes. The underwriters (or persons acting on their behalf) may also over-allot this offering, creating a short position, and may bid for and purchase Notes in the open market to cover the short position. These activities if carried out, will be carried out with a view to stabilize, maintain and support the market price of the Notes during the stabilization period above market levels that may otherwise prevail. The underwriters are not required to engage in these activities, and these activities may not necessarily occur.

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Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than 30 days after the date on which the issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the Notes, whichever is the earlier. Any stabilization action or over-allotment must be conducted by the relevant underwriters (or persons acting on their behalf) in accordance with all applicable laws and rules and will be undertaken at the offices of the underwriters (or persons acting on their behalf) and on the NYSE or the over-the-counter market.

The underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with Petrobras, PGF and their affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. In particular, certain of the underwriters and/or their affiliates may hold debt securities or other indebtedness issued by PGF, including indebtedness guaranteed by Petrobras, which may be repurchased or repaid with proceeds of this offering. If any of the underwriters or their affiliates has a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The underwriters and/or their affiliates may acquire the Notes for their own accounts. Such acquisitions may have an effect on demand for and the price of the Notes.

The expenses of the offering, excluding the underwriting discount, are estimated to be U.S.$2.0 million and will be borne by PGF. PGF has agreed to reimburse the underwriters up to U.S.$300,000 for certain of their expenses relating to the offering, including the fees and disbursements of counsel to the underwriters. Such reimbursement is deemed underwriting compensation by the Financial Industry Regulatory Authority Inc. (FINRA).

Petrobras has been advised by the underwriters that they propose to offer the Notes initially at the public offering price set forth on the cover page of this prospectus supplement and to dealers at that price less a selling concession not in excess of 0.300% of the principal amount of the Notes. After the initial public offering of the Notes, the public offering price and concession and discount to dealers may be changed.

Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the date that is two business days prior to the delivery of the Notes will be required, by virtue of the fact that the Notes initially will settle in five business days (T+5), to specify alternative settlement arrangements to prevent a failed settlement.

The Notes are offered for sale in the United States and other jurisdictions where it is legal to make these offers. The distribution of this prospectus supplement and the accompanying prospectus, and the offering of the Notes in certain

jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come and investors in the Notes should inform themselves about and observe any of these restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

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The underwriters have agreed that they have not offered, sold or delivered, and they will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this prospectus supplement, the accompanying prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will, to the best knowledge and belief of the underwriters, after reasonable investigation, result in compliance with the applicable laws and regulations of such jurisdiction and which will not impose any obligations on PGF except as set forth in the underwriting agreement.

Neither PGF nor the underwriters have represented that the Notes may be lawfully sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption, or assumes any responsibility for facilitating these sales.

Conflicts of Interest

The underwriters are acting as dealer managers in connection with the Tender Offer and will receive a commission for also acting in such capacity. See The Offering Tender Offer.

General

No action has been or will be taken in any jurisdiction other than the United States by PGF or any underwriter that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this prospectus supplement or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons outside the United States into whose hands this prospectus supplement comes are required by PGF and the underwriters to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this prospectus supplement or any other offering material relating to the Notes, in all cases at their own expense.

Brazil

Neither the Notes, nor their offer for sale, have been, or will be, registered with the *Comissão de Valores Mobiliários* CVM. The Notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile* or SVS), the Notes may be privately offered in Chile to certain qualified investors identified as such by Rule 336 (which in turn are further described in Rule N°. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

1. the date of commencement of the offer is March 12, 2019. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS;

2.

the subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS, due to the Notes not being subject to the oversight of the SVS;

3. since the Notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the Notes in Chile; and

4. the Notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the SVS.

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Información a los Inversionistas Chilenos

De conformidad con la ley N° 18.045, de mercado de valores y la Norma de Carácter General N° 336 (la NCG 336), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la SVS), los bonos pueden ser ofrecidos privadamente a ciertos inversionistas calificados, a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, de la SVS.

La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:

1. *La oferta de los bonos comienza el 12 de marzo de 2019, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la SVS;*

2. *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia;*

3. *Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos; y*

4. *Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

Peru

The Notes and the information contained in this prospectus supplement are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in this prospectus supplement have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*), or the SMV, and the Notes have not been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

European Economic Area

This prospectus supplement has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. The expression Prospectus Directive means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended,

MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive, and the expression offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the PRIIPs Regulation) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any Notes under, the offers to the public contemplated in this prospectus supplement will be deemed to have represented, warranted and agreed to and with each underwriter, PGF and Petrobras that:

(a) it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive;

(b) it is not a retail investor as defined above; and

(c) in the case of any Notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Notes acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the underwriters has been given to the offer or resale; or (ii) where Notes have been acquired by it on behalf of persons in any Member State other than qualified investors, the offer of those Notes to it is not treated under the Prospectus Directive as having been made to such persons.

Solely for the purposes of the manufacturer s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturer s target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer s target market assessment) and determining appropriate distribution channels.

Republic of Italy

The offering of the Notes has not been cleared by the Commissione Nazionale per la Società e la Borsa (CONSOB) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of the Prospectus or of any other document relating to the Notes be distributed or made available in the Republic of Italy, except:

(i) to qualified investors (investitori qualificati), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the Banking Act);

(b) comply with Article 129 of the Banking Act, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which certain information on the issue or the offer of securities in Italy must be

communicated to the Bank of Italy; and

(c) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy and/or any other Italian authority.

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Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

The Netherlands

This prospectus supplement has not been and will not be approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) in accordance with Article 5:2 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*). The Notes will only be offered and subsequently transferred to qualified investors (*gekwalificeerde beleggers*) as defined in Article 1:1 of the Dutch Act on Financial Supervision.

United Kingdom

Each underwriter has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to PGF or Petrobras; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

This prospectus supplement is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the Financial Promotion Order), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as relevant persons). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Switzerland

This prospectus supplement does not, and is not intended to, constitute an offer or solicitation to purchase or invest in the Notes described herein in Switzerland. The Notes may not be offered, sold or advertised, directly or indirectly, to the public in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this prospectus supplement nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus pursuant to the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this prospectus supplement nor any other offering or marketing material relating to the Notes may be distributed, or otherwise made available, to the public in Switzerland. Each underwriter has, accordingly, represented and agreed that it has not offered, sold or advertised and will not offer, sell or advertise, directly or indirectly, Notes to the public in, into or from Switzerland, and that it has not distributed, or otherwise

made available, and will not distribute or otherwise make available, this prospectus supplement or any other offering or marketing material relating to the Notes to the public in Switzerland.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

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Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement and the accompanying prospectus (including any amendment thereto) contains a misrepresentation, *provided that* the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Dubai

This prospectus supplement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus supplement is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus supplement nor taken steps to verify the information set forth herein and has no responsibility for the prospectus supplement. The Notes to which this prospectus supplement relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this prospectus supplement you should consult an authorized financial advisor.

Hong Kong

The contents of this prospectus supplement have not been reviewed by any regulatory authority in Hong Kong and no action has been taken in Hong Kong to authorize or register this prospectus supplement or to permit the distribution of this prospectus supplement or any document issued in connection with it. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this prospectus supplement, you should obtain independent professional advice.

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong) or an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors in Hong Kong within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the FIEL) and each underwriter has agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

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Singapore

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, the accompanying prospectus, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, notes and units of shares and notes of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

Singapore Securities and Futures Act Product Classification Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the SFA), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Ireland

The information in this prospectus supplement does not constitute a prospectus under any Irish laws or regulations and this prospectus supplement has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of Notes in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the Prospectus Regulations). The Notes have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) qualified investors as defined in Regulation 2(l) of the Prospectus Regulations and (ii) fewer than 100 natural or legal persons who are not qualified investors.

Taiwan

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the Notes in Taiwan.

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TAXATION

The following discussion summarizes certain U.S. federal income, Brazilian and Dutch tax considerations that may be relevant to the ownership and disposition of the Notes acquired in this offering at their original issue price. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the Notes, including the relevance to your particular situation of the considerations discussed below, as well as of any other tax laws. There currently are no income tax treaties between Brazil and the United States. Although Brazilian and U.S. tax authorities have had discussions that may culminate in such a treaty, we cannot make any assurances regarding whether or when such a treaty will enter into force or how it will affect holders of the Notes.

U.S. Federal Income Tax Considerations

The following is a summary of material U.S. federal income tax considerations that may be relevant to a beneficial owner of the Notes. This summary addresses only investors that purchase Notes at the offering price in this offering, and that hold such Notes as capital assets. The summary does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks or other financial institutions, tax-exempt entities, partnerships (or entities or arrangements treated as partnerships for U.S. federal income tax purposes) or partners therein, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold the Notes as a position in a straddle or conversion transaction, or as part of a synthetic security or other integrated financial transaction, persons that have a functional currency other than the U.S. dollar or nonresident alien individuals present in the United States for 183 days or more in a taxable year. In addition, the discussion does not address the alternative minimum tax, the U.S. federal estate and gift tax, the Medicare tax on net investment income or other aspects of U.S. federal income or state and local taxation that may be relevant to an investor. For purposes of this discussion, a U.S. Holder is a beneficial owner of the Notes that is, for U.S. federal income tax purposes, a citizen or resident of the United States, a domestic corporation or an entity otherwise subject to U.S. federal income taxation on a net income basis in respect of the Notes. A Non-U.S. Holder is a beneficial owner of the Notes that is not a U.S. Holder.

This summary is based on the Internal Revenue Code of 1986, as amended, existing, proposed and temporary U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as of the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or to differing interpretations, which could affect the U.S. federal income tax consequences described herein.

U.S. Holders that use an accrual method of accounting for tax purposes generally will be required to include certain amounts in income no later than the time such amounts are reflected on certain audited financial statements. The application of this rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not clear to what types of income this rule applies to, or, in some cases, how the rule is to be applied if it is applicable. U.S. Holders that use an accrual method of accounting should consult with their tax advisors regarding the potential applicability of this legislation to their particular situation.

It is anticipated, and this discussion assumes, that the 2029 Notes will be treated as part of the same issue as the 2029 original

notes for U.S. federal income tax purposes under the rules for qualified reopenings.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES,

INCLUDING THE APPLICATION TO THEIR PARTICULAR CIRCUMSTANCES OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, AS WELL AS THE APPLICATION OF U.S. FEDERAL ESTATE, GIFT AND ALTERNATIVE MINIMUM TAX LAWS, THE MEDICARE TAX ON NET INVESTMENT INCOME, U.S. STATE AND LOCAL TAX LAWS AND FOREIGN TAX LAWS.

Payments of Interest and Additional Amounts

Payments of interest on the Notes (which may include additional amounts but exclude any pre-issuance accrued interest with respect to the 2029 Notes) generally will be taxable to a U.S. Holder as ordinary interest income when such interest is accrued or received, in accordance with the U.S. Holder s regular method of accounting for U.S. federal income tax purposes (reduced by any amortized premium (as described below)).

Amounts attributable to pre-issuance accrued interest in respect of the 2029 Notes will generally not be includible in income. It is expected, and this discussion assumes, that the Notes will not be issued with more than a de minimis amount of original issue discount (OID). In general, however, if the Notes are issued with more than de minimis OID, a U.S. holder will be required to include OID in gross income, as ordinary income, under a constant-yield method before the receipt of cash attributable to such income, regardless of the U.S. holder s regular method of accounting for U.S. federal income tax purposes.

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Interest income (including additional amounts) in respect of the Notes generally will constitute foreign-source income for purposes of computing the foreign tax credit allowable under the U.S. federal income tax laws. The limitation on foreign income taxes eligible for credit is calculated separately with respect to specific classes of income. Such income generally will constitute passive category income for foreign tax credit purposes for most U.S. Holders. The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct all foreign income taxes for that taxable year, the availability of such deduction involves the application of complex rules that depend on the U.S. Holder s particular circumstances. In addition, foreign tax credits generally will not be allowed for certain short-term or hedged positions in the Notes.

U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits or deductions in respect of foreign taxes and the treatment of additional amounts.

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on interest income earned in respect of the Notes.

Premium and Market Discount.

In the event that a U.S. Holder purchases the Notes at a cost greater than its principal amount, the U.S. Holder will be considered to have purchased the Notes at a premium, and may elect to amortize the premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Notes. Such election, once made, generally applies to all bonds held or subsequently acquired by the U.S. Holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A U.S. Holder that elects to amortize the premium must reduce its tax basis in the Notes by the amount of the premium amortized during its holding period. Amortization deductions attributable to a period reduce interest payments in respect of that period. With respect to a U.S. Holder that does not elect to amortize bond premium, the amount of bond premium will be included in the U.S. Holder s tax basis when the Notes mature or are disposed of by the U.S. Holder. Therefore, a U.S. Holder that does not elect to amortize such premium and that holds the Notes to maturity generally will be required to treat the premium as capital loss when the Notes mature. Due to the fact that the Notes may be redeemed by the Issuer prior to their maturity at a premium, special rules apply that may reduce, defer or eliminate the amount of bond premium that a U.S. Holder may amortize with respect to the Notes.

If a U.S. Holder purchases the Notes at a price that is lower than its principal amount, by at least 0.25% of the principal amount multiplied by the number of remaining whole years to maturity, the Notes will be considered to have market discount in the hands of such U.S. Holder. In such case, gain realized by the U.S. Holder on the disposition of the Notes generally will be treated as ordinary income to the extent of the market discount that accrued on the Notes while held by the U.S. Holder. In addition, the U.S. Holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Notes. In general terms, market discount on the Notes will be treated as accruing ratably over the term of the Notes, or, at the election of the holder, under a constant-yield method.

A U.S. Holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of the Notes as ordinary income. If a U.S. Holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Sale or Disposition of Notes

A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange, retirement or other taxable disposition of the Notes in an amount equal to the difference between the amount realized upon such disposition and such U.S. Holder s adjusted tax basis in the Note. A U.S. Holder s tax basis in the Note generally will equal such U.S. Holder s purchase price of the Notes, excluding, if applicable, amounts attributable to accrued interest (and increased by amounts includible in income by the U.S. Holder as market discount and reduced to reflect the amount of amortized premium). Gain or loss recognized by a U.S. Holder on the disposition of a Note generally will be long-term capital gain or loss if, at the time of the disposition, the Note has been held for more than one year. The net amount of long-term capital gain recognized by an individual U.S. Holder generally is subject to tax at a reduced rate. The deductibility of capital losses is subject to limitations.

Capital gain or loss recognized by a U.S. Holder generally will be U.S.-source gain or loss. Consequently, if any such gain is subject to foreign withholding tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to the applicable limitation) against tax due on other income treated as derived from foreign sources. U.S. Holders should consult their own tax advisors as to the foreign tax credit implications of a disposition of the Notes.

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other taxable disposition of Notes.

Specified Foreign Financial Assets

Certain U.S. Holders that own specified foreign financial assets with an aggregate value in excess of US$50,000 generally are required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. Specified foreign financial assets include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or in part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

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Backup Withholding and Information Reporting

Payments in respect of the Notes that are paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting, and may be subject to backup withholding, unless the U.S. Holder (i) is a corporation (other than an S corporation) or other exempt recipient, and demonstrates this fact when so required, or (ii) provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. The amount of any backup withholding collected from a payment to a U.S. or non-U.S. Holder will be allowed as a credit against the holder s U.S. federal income tax liability, and may entitle the holder to a refund, *provided that* certain required information is timely furnished to the IRS.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a non-resident of Brazil. This discussion is based on the tax laws of Brazil as in effect on the date of this prospectus supplement and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE OR OTHER DISPOSITION OF THE NOTES OR COUPONS.

Payments in Respect of the Notes, and Sale or Other Disposition of Notes

Generally, an individual, entity, trust or organization that is domiciled for tax purposes outside Brazil (a Non-Resident) is subject to income tax in Brazil only when income is derived from a Brazilian source or when the transaction giving rise to such earnings involves assets located in Brazil. Therefore, based on the fact that PGF is considered to be domiciled abroad for tax purposes, any interest, gains, fees, commissions, expenses and any other income paid by PGF in respect of the Notes it issues to Non-Resident holders should not be subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, provided that such payments are made by PGF with funds held outside of Brazil.

Any capital gains generated outside Brazil as a result of a transaction between two Non-Resident holders with respect to assets not located in Brazil are generally not subject to tax in Brazil. If the assets are located in Brazil, then capital gains realized thereon are subject to income tax, according to Law No. 10,833, enacted on December 29, 2003. Since the Notes will be issued by a legal entity incorporated outside of Brazil and registered abroad, the Notes should not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains realized on the sale or other disposition of the Notes made outside Brazil by a Non-Resident holder to another Non-Resident should not be subject to Brazilian taxes. However, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereof, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil. If the income tax is deemed to be due, the gains may be subject to income tax in Brazil, effective as from January 1, 2017, (as confirmed by Declaratory Act No. 3, of April 27, 2016), at progressive rates as follows: (i) 15% for the part of the gain that does not exceed R$5 million, (ii) 17.5% for the part of the gain that exceeds R$5 million but does not exceed R$10 million, (iii) 20% for the part of the gain that exceeds R$10 million but does

not exceed R$30 million and (iv) 22.5% for the part of the gain that exceeds R$30 million; or 25.0% if such Non-Resident holder is located in a Low or Nil Tax Jurisdiction as it will be further detailed below. A lower rate, however, may apply under an applicable tax treaty between Brazil and the country where the Non-Resident holder has its domicile.

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Payments Made by Petrobras as Guarantor

In the event the issuer fails to timely pay any due amount, including any payment of principal, interest or any other amount that may be due and payable in respect of the Notes, the guarantor will be required to assume the obligation to pay such due amounts. As there is no specific legal provision dealing with the imposition of withholding income tax on payments made by Brazilian sources to Non-Resident beneficiaries under guarantees and no uniform decision from the Brazilian courts, there is a risk that tax authorities will take the position that the funds remitted by the guarantor to the Non-Resident holders may be subject to the imposition of withholding income tax at a general 15% rate, or at a 25% rate, if the Non-Resident holder is located in a Low or Nil Tax Jurisdiction. Arguments exist to sustain that (a) payments made under the guarantee structure should be subject to imposition of withholding income tax according to the nature of the guaranteed payment, in which case only interest and fees should be subject to taxation at a rate of 15%, or 25%, in cases of beneficiaries located in Low or Nil Tax Jurisdictions, as defined by the Brazilian legislation; or (b) payments made under guarantee by Brazilian sources to Non-Resident beneficiaries should not be subject to the imposition of withholding income tax, to the extent that they should qualify as a credit transaction by the Brazilian party to the borrower. The imposition of withholding income tax under these circumstances has not been settled by the Brazilian courts.

If the payments with respect to the Notes are made by Petrobras as a guarantor, then Non-Resident holders will be indemnified so that, after payment of applicable Brazilian taxes imposed by deductions or withholding with respect to principal or interest payable with respect to the Notes, subject to certain exceptions, as mentioned in Description of the Notes Covenants Additional Amounts, a Non-Resident holder will receive an amount equal to the amount that such Non-Resident holder would have received if no such taxes were imposed. See Description of the Notes Covenants Additional Amounts.

Discussion on Low or Nil Tax Jurisdictions

According to Law No. 9,430, dated December 27, 1996, as amended, a Low or Nil Tax Jurisdiction is a country or location that (i) does not impose taxation on income, (ii) imposes income tax at a maximum rate lower than 20% or (iii) imposes restrictions on the disclosure of shareholding composition or the ownership of the investment.

Additionally, on June 24, 2008, Law No. 11,727/08 created the concept of Privileged Tax Regimes, which encompasses the countries and jurisdictions that (i) do not tax income or tax it at a maximum rate lower than 20%; (ii) grant tax advantages to a Non-Resident entity or individual (a) without the need to carry out a substantial economic activity in the country or a said territory or (b) conditioned to the non-exercise of a substantial economic activity in the country or a said territory; (iii) do not tax proceeds generated abroad or tax them at a maximum rate lower than 20% or (iv) restrict disclosure about the ownership of assets and ownership rights or restrict disclosure about economic transactions carried out.

On November 28, 2014, the Brazilian tax authorities issued Ordinance 488, which decreased, from 20% to 17%, the minimum threshold for certain specific cases. The reduced 17% threshold applies only to countries and regimes aligned with international standards of fiscal transparency in accordance with rules to be established by the Brazilian tax authorities.

We consider that the best interpretation of the current Brazilian tax legislation, especially in regard to the abovementioned Law 11,727/08, should lead to the conclusion that the concept of Privileged Tax Regimes should only apply for certain Brazilian tax purposes, such as transfer pricing and thin capitalization rules. According to this interpretation, the concept of Privileged Tax Regimes should not be applied in connection with the taxation of payments related to the Notes to Non-Residents. Regulations and non-binding tax rulings issued by Brazilian federal

tax authorities seem to confirm this interpretation.

Notwithstanding the fact that such privileged tax regime concept was enacted in connection with transfer pricing rules and is also applicable to thin capitalization and cross-border interest deductibility rules, Brazilian tax authorities may take the position that such Privileged Tax Regime definition also applies to other types of transactions.

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In the event that the privileged tax regime concept is interpreted to be applicable to transactions such as payments related to the Notes to Non-Residents, this tax law would accordingly result in the imposition of taxation to a Non-Resident that meets the privileged tax regime requirements in the same way applicable to a resident located in a Low or Nil Tax Jurisdiction. Prospective investors should therefore consult with their own tax advisors regarding the consequences of the implementation of Law No. 11,727, Normative Instruction No. 1,037/2010, as amended, and of any related Brazilian tax laws or regulations concerning Low or Nil Tax Jurisdictions and Privileged Tax Regimes.

Other Tax Considerations

Brazilian law imposes a Tax on Foreign Exchange Transactions (*Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários),* or IOF/Exchange, due on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Currently, the IOF/Exchange rate for almost all foreign currency exchange transactions is 0.38%. According to Section 15-B of the Decree No. 6,306, as amended, the settlement of exchange transactions in connection with foreign financing or loans, for both inflow and outflow of proceeds into and from Brazil, are subject to IOF/Exchange at a 0% rate. Currently, in the case of the settlement of foreign exchange transactions (including simultaneous foreign exchange transactions), in connection with the inflow of proceeds to Brazil deriving from foreign loans, including those obtained through the issuance of notes in the international market, with the minimum average term not exceeding 180 days, the IOF/Exchange tax rate is 6% (this rate of 6% will be levied with penalties and interest in the case of financings or international bonds with a minimum average term longer than 180 days in which an early redemption occurs in the first 180 days). The Brazilian government is permitted to increase this rate at any time up to 25.0%. Any such increase in rates may only apply to future transactions.

In addition, the Brazilian tax authorities could argue that a Tax on Loan Transactions (Imposto sobre Operações de Crédito, Câmbio e Seguro, ou relativas a Títulos e Valores Mobiliários), or IOF/Credit, due on loan transactions could be imposed upon any amount paid in respect of the Notes by the guarantor under the guarantee given at a rate of up to 1.88% of the total amount paid.

Generally, there are no inheritance, gift, succession, stamp, or other similar taxes in Brazil with respect to the ownership, transfer, assignment or other disposition of the Notes by a Non-Resident, except for gift and inheritance taxes imposed by some Brazilian states on gifts or bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such states.

Dutch Tax Considerations

The following describes certain Dutch tax consequences for a holder who is neither a resident nor deemed to be a resident of The Netherlands for Dutch tax purposes in respect of the ownership, acquisition and disposal of the Notes.

For the purpose of this section, Dutch Taxes shall mean taxes of whatever nature levied by or on behalf of The Netherlands or any of its subdivisions or taxing authorities. The Netherlands means the part of the Kingdom of The Netherlands located in Europe.

This section is intended as general information only, does not constitute tax or legal advice and it does not purport to describe all possible Dutch tax considerations or consequences that may be relevant to a holder and therefore should be treated with appropriate caution. This overview is based on the laws of The Netherlands currently in force and as applied on the date of this prospectus supplement, which are subject to change, possibly also with retroactive or retrospective effect. PGF has not sought any ruling from the Dutch tax authorities (*belastingdienst*) with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the Dutch tax

authorities will agree with such statements and conclusions.

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PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE OR OTHER DISPOSITION OF THE NOTES OR COUPONS.

For Dutch tax purposes, a holder of Notes may include, without limitation:

an owner of one or more Notes who, in addition to the title to such Notes, has an economic interest in such Notes;

a person or an entity that holds the entire economic interest in one or more Notes;

a person or an entity that holds an interest in an entity, such as a partnership or a mutual fund, that is transparent for Dutch tax purposes, the assets of which comprise one or more Notes; and

a person who is deemed to hold an interest in Notes, as referred to under any of the above, pursuant to the attribution rules of article 2.14a, of the Dutch Income Tax Act 2001, with respect to property that has been segregated, for example, in a trust or a foundation.

This section does not describe all the possible Dutch tax consequences that may be relevant to the holder of the Notes who receives or has received any benefits from these Notes as employment income, deemed employment income or otherwise as compensation.

Dutch Individual and Corporate Income Tax

A holder of Notes will not be treated as a resident of The Netherlands by reason only of the holding of a Note or the execution, performance, delivery and/or enforcement of the Notes.

A holder who is not a resident of The Netherlands, nor deemed to be a resident, is not taxable on income derived from the Notes and capital gains realized upon the disposal or redemption of the Notes, except if:

(i) such holder derives profits from an enterprise, whether as entrepreneur (*ondernemer)* or pursuant to a co-entitlement to the net worth of the enterprise, other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a (deemed) permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) that is taxable in The Netherlands, to which the Notes are attributable;

(ii) the holder is an individual and derives benefits from miscellaneous activities (*overige werkzaamheden*) carried out in The Netherlands in respect of the Notes, including without limitation activities which are beyond the scope of active portfolio investment activities;

(iii) the holder is not an individual and is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in The Netherlands, other than by way of securities, and to which enterprise the Notes are attributable; or

(iv) the holder is an individual and is entitled to a share in the profits of an enterprise that is effectively managed in The Netherlands, other than by way of securities, and to which enterprise the Notes are attributable.

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Dutch Withholding Tax

All payments of interest and principal by PGF under the Notes can be made free of withholding or deduction for any taxes of any nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein, except where Notes (i) are issued under such terms and conditions that such Notes are capable of being classified as equity of PGF for Dutch tax purposes; (ii) actually function as equity of PGF within the meaning of article 10, paragraph 1, letter d, of the Dutch Corporate Income Tax Act 1969 or (iii) are redeemable in exchange for, convertible into or linked to shares or other equity instruments issued or to be issued by PGF or by any entity related to PGF. The Notes are not capable of being classified as equity of PGF for Dutch tax purposes if these Notes have a maturity of less than 50 years, do not constitute obligations of PGF that are subordinated to the obligations of PGF vis-à-vis all its ordinary creditors or carry an interest that is not legally or factually dependent on the profits of PGF.

If withholding is required by law, additional amounts may be payable. See Description of the Notes Covenants Additional Amounts.

Dutch Gift and Inheritance Taxes

No Dutch gift or inheritance taxes are due in respect of any gift of Notes by, or inheritance of the Notes on the death of a holder, except if:

(i) at the time of the gift or death of the holder, the holder is a resident, or is deemed to be a resident, of The Netherlands;