



UPDATE ON LITIGATION INITIATIVES REGARDING PETROLEO BRASILEIRO SA



October 2016

International Securities Associations &
Foundations Management Company

This memorandum provides an update on the collective legal actions against Petroleo Brasileiro SA (Petrobras) for investors who purchased Petrobras securities in transactions outside of the United States – primarily securities issued in Brazil, the Netherlands and Spain.

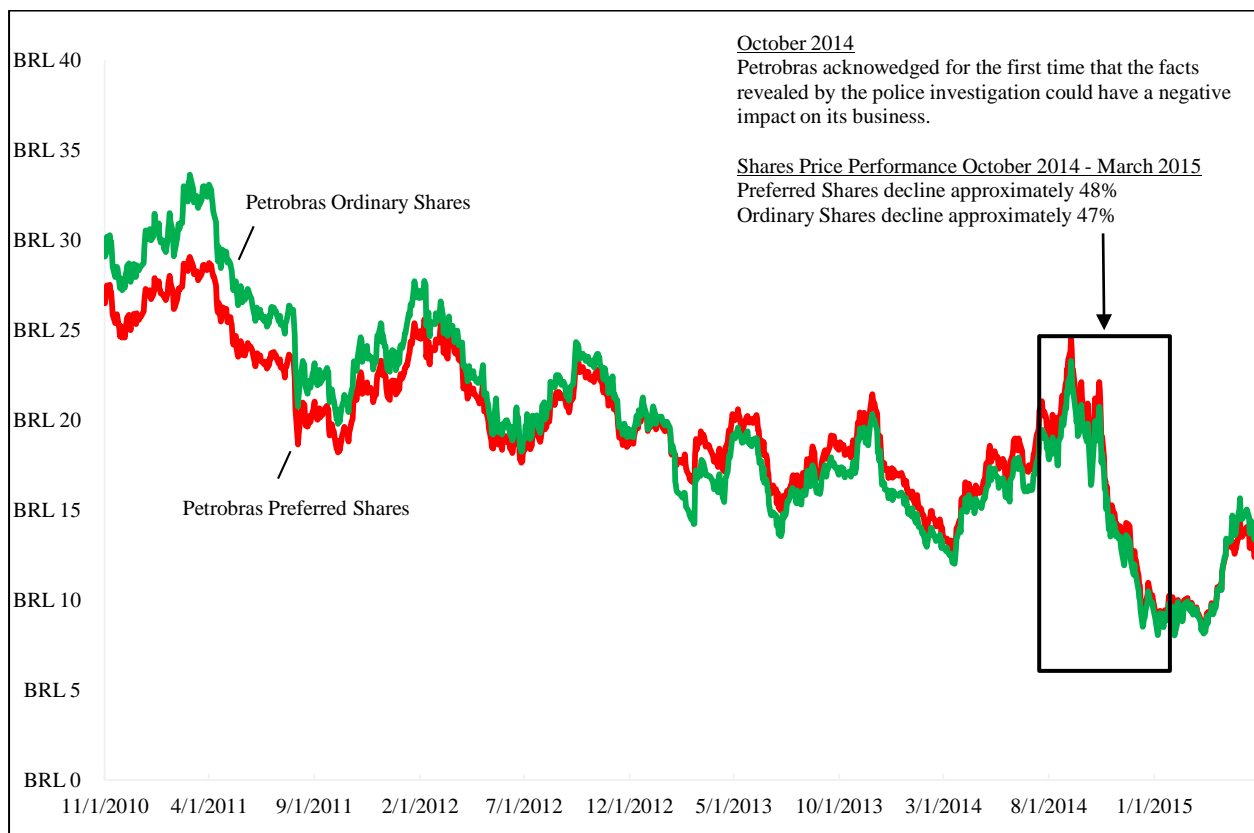
Update on Litigation Initiatives Regarding Petroleo Brasileiro SA

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Background

On 10 February 2016, International Securities Associations & Foundations Management Company (ISAF) announced the formation of the independent Netherlands-based Stichting Petrobras Compensation Foundation (SPCF) to pursue claims on behalf of international investors who purchased securities in Brazil and the Netherlands against Petrobras. Concurrently, ISAF announced the formation of The Asociacion de Afectados de Petrobras, a Madrid-based shareholder association established to pursue claims on behalf of investors who purchased Petrobras securities on the Bolsa Madrid LATIBEX. Detailed information about the litigation efforts in the Netherlands and Spain as well as the nature of the allegations are described on the ISAF website (www.isafmanagement.com).

Petrobras investors suffered significant economic damages when news of the bribery and corruption scandal started to leak into the market.



Recent Updates

A preponderance of the global trade transactions related to Petrobras securities were executed in Brazil on the BM&F Bovespa exchange. Importantly and irrespective of Petrobras' status as a Brazilian company, Petrobras had significant operations in the Netherlands. In fact, Petrobras Global Finance is headquartered in the Netherlands and issued bonds to global investors through this office. Additionally, Petrobras subjected itself to European market authorities when its Brazilian shares began trading on the LATIBEX via a linked market system.

The following fact pattern:

- a) Majority of Petrobras securities transactions were in Brazil,
- b) Brazilian securities laws do not allow for collective actions that award damages directly to an investor class,
- c) Petrobras had significant operations in the Netherlands, and
- d) Petrobras registered securities in Spain and subjected the company to European regulatory oversight and compliance.

as well as various other legal arguments have led ISAF to the conclusion that Brazil is an unsuitable jurisdiction for this litigation. The Netherlands' legal framework DOES provide a tested path to financial recovery via collective action and led ISAF to cooperate with SPCF and to facilitate litigation efforts in the Netherlands to recover damages on behalf of eligible Petrobras investors.

Stichting Petrobras Compensation Foundation (SPCF)

The Foundation works closely together with International Securities Associations and Foundations Management Company and a coalition of international law firms, including Lemstra Van der Korst N.V., Motley Rice, Withers LLP, and Lowey Dannenberg Cohen & Hart.

Foundation board members and their work experience are detailed below:

Jan van der Horst (Chairman, Supervisory Board)

Group Director Corporate Affairs, Vlisco Group; Former partner Houthoff Buruma; Former Program Officer UN world Food Programme, Brazil.

Mr. H. Th. Bouma

Former deputy judge at the Court of Appeal in The Hague. Former partner and attorney-at-law at Pels Rijcken & Droogleever Fortuijn.

Mr. A.H. Korthals

Former Chairman of political party VVD (People's Party for Freedom and Democracy). Former Defense secretary of the Dutch government. Former Justice secretary of the Dutch government. Former member of the Parliament/House of Representatives of the Netherlands for VVD (People's Party for Freedom and Democracy). Former Attorney-at-law.

Mr. C.J. Vriesman

Former acting mayor of the municipality of Den Helder. Former chairman of the committee on the role of public private projects in the special development around airports, reporting to the Secretary of Transport, Public works and Water Management and the Secretary of Housing, Spatial Planning and Environment. Former Director General National Forest Service. Former Director General ministry of Housing, Spatial Planning and the Environment.

Status of Litigation in the Netherlands

Lemstra Van der Korst, the Dutch local counsel retained by SPCF, has been in settlement communication with Petrobras to no avail and is currently in the final phase of filing a writ (complaint) in the Netherlands. The writ will seek declaratory relief for damaged investors, essentially asking the Court to issue a ruling that Petrobras engaged in unlawful bribery acts and financial misrepresentation, in violation of applicable laws and securities regulations. If the Court rules in favor of the investors, it is possible that Petrobras will make an effort to achieve a settlement with SPCF benefitting investors represented by the ISAF coalition. The collective action settlement law in the Netherlands, WCAM, provides the legal framework to accomplish a global peace with damaged investors. If Petrobras does not move into a settlement posture after the declaratory relief phase, ISAF will continue its cooperation with SPCF and start separate proceedings in the Netherlands to seek full damages awards for the total losses suffered by investors, as result of the Petrobras violations' impact to the value to Petrobras shares and bonds.

ISAF Investor Coalition

In close cooperation with SPCF, ISAF continues to aggregate eligible investors in preparation for the filing of the writ. A very substantial number of institutional investors have joined the coalition and support SPCF. ISAF and SPCF are working with additional large institutional investors who will commit prior to filing of the writ.

At the request of SPCF, ISAF has retained third party expert damages and investor claims analysis firm, Battea Class Action Services, to analyze investor trade data and losses. Once Battea has analyzed the trade data and provided a loss estimate, ISAF will forward the relevant participation documents for the eligible investors to execute. There are no up-front costs to join the investor coalition. ISAF is fully funding the European actions against Petrobras in return for a contingency fee to be paid solely from settlement funds or a judgment award.

Battea Class Action Services is located in the United States with research offices in Europe and is considered the preeminent claims evaluation and filing firm in the world. Battea is an early pioneer in the collective action and class action investor recovery and claims filing business. The company continues to provide innovative solutions for the industry and services more than 400 institutional investor clients on a permanent basis. Accuracy in data analysis and data security is paramount in importance to ISAF. Battea is the clear choice in this regard. More information is available at www.battea.com.



Investor Participation

Many ISAF clients have asked for details about how their names are protected from public scrutiny once they have joined the coalition. The brief points below address this issue:

- In the first stage of the collective action the Foundation pursues a declaratory relief judgment, essentially stating that Petrobras et al acted unlawfully vis-à-vis the investors. The Foundation can represent all investors that incurred damages in the First Stage, without individual investors becoming mentioned parties in the litigation. Petrobras could settle during this phase, in which

case investors will remain anonymous.

- Investors join the Foundation by signing a participation agreement. They are also invited to sign a Foundation “support letter”. The participation agreements will remain confidential.
- The Foundation may submit the executed support letters, from those investors who chose to execute such letters, to demonstrate to the Dutch courts that a large number of investors support the litigation. It is however not necessary to join the litigation. If the Foundation prevails in the First Stage and Petrobras wishes to settle, information about the investors who comprise the Foundation will be provided. This may be done by showing the tally of anonymous members of the foundation in addition to those who signed support letters along with the corresponding claims.

ISAF Management is always available to discuss these matters in further detail.

Please contact Adam Foulke at ISAF Management Company (203) 975-0333 afoulke@isafmanagement.com.

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ISAF will provide additional information and updates on the global litigation regarding Petrobras as the initiative progresses through the courts.