

# Petrobras Reaches Settlement With SEC for Misleading Investors

## FOR IMMEDIATE RELEASE

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*Washington D.C., Sept. 27, 2018* — The Securities and Exchange Commission today charged Brazilian oil-and-gas company Petróleo Brasileiro S.A. with misleading U.S. investors by filing false financial statements that concealed a massive bribery and bid-rigging scheme at the company. The U.S. Department of Justice also announced today a non-prosecution agreement with Petrobras.

The SEC's order finds that senior Petrobras executives worked with Petrobras's largest contractors and suppliers to inflate the cost of Petrobras's infrastructure projects by billions of dollars. The companies executing those projects paid billions in kickbacks to the Petrobras executives, who shared the illegal payments with Brazilian politicians who helped them obtain their high-level positions at Petrobras. Petrobras erroneously recorded these payments as money spent to acquire and improve assets, resulting in an estimated \$2.5 billion overstatement of assets.

The SEC's order finds that Petrobras's false and misleading filings included materially false and misleading statements to U.S. investors in a \$10 billion stock offering completed in 2010. The filings misrepresented Petrobras's assets, infrastructure projects, the integrity of its management, and the nature of its relationships with its majority shareholder, the Brazilian government.

"Petrobras fraudulently raised billions of dollars from U.S. investors while its senior executives operated a massive, undisclosed bribery and corruption scheme," said Steven Peikin, Co-Director of the SEC Enforcement Division. "If an international company sells securities in the United States, it must provide truthful information about its business operations."

In connection with the settlement of the SEC's charges and the non-prosecution agreement with the Department of Justice, Petrobras has agreed to pay a total of \$933 million in disgorgement and prejudgment interest and an \$853 million penalty. These payments are subject to offsets for, respectively, certain payments it makes to investors in a related class-action settlement and penalties paid to law enforcement authorities in Brazil. The SEC's order also establishes a Fair Fund to distribute the penalty received by the SEC to harmed investors.

The SEC's investigation is continuing and being conducted by Lance Jasper, Rhoda Chang, and Maria Rodriguez with assistance from Carlos Costa-Rodrigues. The case is being supervised by Spencer Bendell. The SEC appreciates the assistance of the Department of Justice Criminal Division's Fraud Section, the Federal Bureau of Investigation, the Brazilian Federal Prosecution Service, the Brazilian Federal Police, and Brazil's Comissão de Valores Mobiliários.

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- SEC Order