

Petroleo Brasileiro SA**Petrobras reaches \$2.95bn settlement in US investor lawsuit**

Agreement ends class action over corruption scandal at Brazilian oil group

Joe Leahy in São Paulo
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Brazil's Petrobras says it has reached a \$2.95bn settlement to end a class-action lawsuit in the US in what is being touted as the biggest such agreement for a foreign issuer in the country.

The settlement ends three years of intense litigation between the state-owned oil company and large investors led by the Universities Superannuation Scheme, the UK pension fund, over losses caused by a giant corruption scandal at [Petrobras](#).

Claims against Petrobras' auditor, PricewaterhouseCoopers Auditores Independentes, are still pending.

"In the agreement, Petrobras expressly denies liability. This reflects its status as a victim," the company said in a statement.

The settlement of the [class action lawsuit](#) in the US District Court for the Southern District of New York since March 2015, promises to remove a major overhang from the [corruption investigation](#) over Petrobras' shares, analysts said.

First revealed in 2014, the investigation, known as *Lava Jato* or car wash, uncovered a bribery scheme in which politicians and former Petrobras directors received bribes in return for awarding billions of dollars in contracts to construction companies and others.

"This has been one of the most important overhangs for Petrobras especially for the extremely high uncertainty around the value of this potential liability," JPMorgan analysts Rodolfo Angele and Felipe Dos Santos said in a note. "In our models, we [had] assumed a \$5bn [payout] for the class action. We see this as good news for Petrobras."

Jeremy Lieberman, co-managing partner of law firm Pomerantz, which was the sole lead counsel for the class action, said the settlement would avoid further long-drawn out litigation and the risks posed by a trial.

The Petrobras case would also serve as an important reminder for foreign issuers of their obligations under US securities law, he said.

Until the scandal was revealed, Petrobras had operated as a fiefdom for domestic political party operators looking for campaign funds with little regard to its status as a foreign-listed entity, analysts said.

For companies looking to become “a global player, there is a different set of expectations”, Mr Lieberman said.

Petrobras has sought to rebuild its image after the scandal, taking as its chief executive officer Pedro Parente, the former head of multinational commodities trader Bunge in Brazil.

The settlement of the class-action lawsuit, which has to yet be ratified by a judge, would resolve all pending and prospective claims by holders of Petrobras securities in the US or securities which were listed for trading in the US, the company said.

The company has already settled other related lawsuits from investors that opted out of the class action.

Petrobras argues that the scandal was the work of some crooked directors acting alone and that it was a victim of their schemes.

“As a victim of the scheme, Petrobras has already recovered R\$1.48bn (\$454m) in restitution in Brazil and will continue to pursue all available legal remedies from culpable companies and individuals,” the company said.

The settlement for \$2.95bn will be made in three instalments, the first two of \$983m and the last of \$984m. The total amount of the settlement would be recognised in the company’s fourth-quarter accounts for 2017.

With additional reporting by Andres Schipani in São Paulo

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