

August 29, 2012

Guido Mantega, Chairman
Maria Silva Foster, Chief Executive Officer
Petróleo Brasileiro S.A.
Av. Republica do Chile 65, Centro
Rio de Janeiro, RJ 20035-900
Brasil

Dear Ms. Silva Foster and Mr. Mantega,

We are writing to you as Amec, the Association of Capital Market Investors, and also on behalf of foreign institutional investors who collectively speak for over USD 1.9 trillion in total assets under management, of which a significant and growing proportion is invested in Emerging Markets and notably Brazil.

The reason for this letter is that we have become increasingly concerned that recent actions taken by the company are not in the best interests of all shareholders, both over the short and long term. Specifically, we have two issues we would like to address.

The first relates to the election of the representatives for minority shareholders to the company's Board at the recent annual general meeting, held on March 19th, 2012. As is widely understood by the market, the governance structure of Petrobras specifically designates these two seats as reserved for the purpose of representing minority investors. For this reason, it is of critical importance that the nomination process for these seats be conducted in a manner that is seen as credible, transparent and genuinely in line with the interests of minorities. In fact, however, the representatives for minorities were elected by relying on the votes of shareholders such as Petros, Previ, Funcef, BNDES, and BNDESpa. It is widely understood by investors and other market participants, both within and outside Brazil, that these institutions fall under considerable influence by the government. As such, they cannot be regarded as legitimately entitled to speak for independent minority investors and should not be in a position to vote on these two seats. Most of the investors supporting this letter had, as you know, already expressed their serious concerns regarding the director election process in a letter addressed to Mr. Mantega earlier this year, requesting a meeting with you to explore what remedial measures might be taken to resolve these concerns.

In the last several months, a number of us have had the opportunity to meet with representatives from your company, as well as with Mr. Josué Gomes da Silva, to pursue this discussion. We want to take this opportunity to stress our concerns and urge that, in relation to future annual or extraordinary general meetings, you ensure that no votes originating from any institutions affiliated

with government entities be regarded as eligible in respect of the election of representatives for minority shareholders to the company's Board.

We also learned from these exchanges that the company is considering mechanisms that might enable minority shareholders, in particular those voting by proxy, to nominate and vote for the candidate of their choice. We welcome these initiatives and look forward to being kept informed of your progress.

The second issue, and the reason we believe it is so critical for Board-led decision-making to reflect the views of minority investors, relates to the capital expenditure plan, announced on June 14th, 2012. Specifically, we are concerned over the amount of capital that is allocated towards investment in the downstream division. The essence of strong capital allocation is to allocate capital to areas where it is likely to generate a high, predictable and sustainable return. The absence of a formalised system for setting the prices at which refined products can be sold to distributors raises questions over the predictability of future returns on these investments. Whilst we appreciate that the company has recently raised diesel and gasoline prices, we feel that until a formal method of setting refined product prices that reflects international prices has been introduced, this will remain a major governance issue that has a negative impact on the company's perception and, consequently, valuation. We therefore urge the company to review and implement a strategy regarding capital expenditure that will drive long-term sustainable shareholder value.

These issues are particularly important in light of the value destruction experienced by Petrobras' shareholders over the past few years. Since the model of the rights issue was announced on August 31st 2009, shares of Petrobras as measured in USD fell by 48%. At the same time, the XOP, an exchange-traded fund of integrated oil companies, appreciated by 46%. This difference applied to the company's market capitalization at that date amounts to USD 164 billion¹. If one adds to this the loss in value of the new shares issued in September 2010 (then valued at approximately USD 70 billion), the total value destruction amounts to USD 208 billion.

Such a loss is all the more striking given the significant value inherent in the pre-salt deposits, which currently make Petrobras arguably one of the best exploration prospects of any of the world's major oil companies.

We hereby note that the rights issue that triggered these losses was approved by the minority shareholder representatives on the board, who were elected in the same manner as that witnessed at the March 19th, 2012 meeting. It is for this reason, therefore, that we express our serious reservations regarding the ability and inclination of these directors to serve on the Board in a truly independent manner.

¹ Petrobras' market capitalization on Aug 31st 2009 was approximately USD 174 billion. A 48% drop in that value corresponds to a loss of USD 83 billion. An alternative investment of those USD 174 billion in the XOP fund would have yielded a capital appreciation of USD 81 billion, yielding a total loss of USD 164 billion. Since the rights issue of Sep 29 2010, PBR and XOP returned respectively -39% and +25%, implying a loss of USD 27 billion on PBR and an 'opportunity cost' of USD 17 billion on XOP. The total loss therefore is approximately USD 208 billion. All calculations consider reinvestment of dividends, and reflect share prices as of June 30th 2012.



We very much appreciate the openness to dialogue of both your staff and Mr. Gomes da Silva on this important matter, and look forward to a productive discussion with you to resolve these concerns as a matter of urgency.

Yours sincerely,

Mauro Rodrigues da Cunha
President
Amec