

Mattersight Corp
 Form 4
 June 02, 2016

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
CONWAY KELLY D

(Last) (First) (Middle)
 200 W. MADISON, SUITE 3100
 (Street)

CHICAGO, IL 60606

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
Mattersight Corp [MATR]

3. Date of Earliest Transaction (Month/Day/Year)
05/31/2016

4. If Amendment, Date Original Filed (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)
President & CEO

6. Individual or Joint/Group Filing (Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	05/31/2016		F	642 ⁽¹⁾ D	\$ 3.95	1,126,418	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

219

829

19,756

33,132

23,565

36,558

Current

17,111

3,681

18,020

Explanation of Responses:

	6,226
Non-current	
	2,644
	29,451
	5,545
	30,332

18.1.1 Receivables from the electricity sector

At September 30, 2012, the Company had a total amount of US\$ 2.195 (US\$ 1,958 at December, 31, 2011) of receivables from the electricity sector.

The Company supplies fuel to thermoelectric power plants, direct or indirect subsidiaries of Eletrobras, located in the northern region of Brazil. Part of the costs for supplying fuel to these thermoelectric power stations is borne by funds from the Fuel Consumption Account (CCC), managed by Eletrobras.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

The Company also supplies fuel to Independent Power Producers (PIE), companies created for the purpose of producing power exclusively for Amazonas Distribuidora de Energia S.A. - AME, a direct subsidiary of Eletrobras, and the payments for the fuel supplied depend directly on the forwarding of funds from AME to those Independent Power Producers.

The balance of these receivables at September 30, 2012 was US\$ 1.989 (US\$ 1,715 at December 31, 2011), of which US\$ 1.478 were overdue (US\$ 1,415 at December 31, 2011).

The Company has been using all available resources in order to recover these receivables. The Company has also made a formal statement to Eletrobras, regarding the necessity of issuing warranties to its controlled entities in order to supply fuel from September 1, 2012 on.

As negotiations advanced, on October 1, 2012 the Company received US\$ 494 from AME and granted an extension until October 31, 2012 for Eletrobras to present the requested guarantees.

Additionally, the Company has electricity supply contracts with AME signed in 2005 by its subsidiary Breitener Energética S.A., which, based on the conditions of the agreements, are considered a financial lease of the two thermoelectric power plants, as the contracts determine, among other conditions, the disposal of the power plants to the AME at the end of the agreement period with no restitution (20-year term). The balance of these receivables was US\$ 206 (US\$ 243 as of December 31, 2011) and none of which were overdue.

18.1.2 Petroleum and Alcohol accounts - Receivable from Federal Government

At September 30, 2012, the balance of accounts receivable regarding Petroleum and Alcohol accounts amounted to US\$ 411 (US\$ 444 at December 31, 2011) and this balance can be settled by the Federal Government by issuing National Treasury Notes in an amount equal to

the final balance for the settling of accounts with the Federal Government, in pursuant to what is established in Provisional Measure 2,181, of August 24, 2001, or through offsetting against other amounts that Petrobras may owe the Federal Government at the time, including tax related amounts or a combination of the foregoing operations.

In order to conclude the settlement with the Federal Government, the Company has provided all the information required by the National Treasury Secretariat (STN) to mitigate divergences between the parties.

After exhausting negotiation process under the administrative level, the Company decided to judicially collect the aforementioned credit and, accordingly, filed a lawsuit in July 2011.

18.2 Remuneration of key employees and officers

Short-term benefits for the Company's officers in the nine-month period ended September 30, 2012 were US\$ 4.6 (US\$ 3.9 in the nine-month period ended September 30, 2011, referring to seven officers and nine board members). At September 30, 2012 the Company had seven officers and ten board members.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

In the nine-month period ended September 30, 2012, the remuneration of board members and officers for the consolidated Petrobras group amounted to US\$ 20.3 (US\$ 19.4 in the nine-month period ended September 30, 2011).

As established in Federal Law 12,353/2010, the Board of Directors of Petrobras is now composed of ten members, after ratification of the employees' representative in the Annual General Meeting of March 19, 2012.

19. Provision for decommissioning costs (non-current)

Non-current liabilities	09.30.2012	12.31.2011
Opening balance	4,712	3,904
Revision of provision	25	1,365
Use by Payment	(175)	(284)
Accrual of interest	100	125
Others	11	63
Cumulative translation adjustment	(359)	(461)
Closing balance	4,314	4,712

20. Taxes

20.1 Recoverable taxes

Current assets	09.30.2012	12.31.2011
Taxes In Brazil:		
ICMS	1,660	1,698
PIS/COFINS	1,907	1,253

Explanation of Responses:

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CIDE	23	77
Income taxes	2,053	1,528
Other taxes	272	225
	5,915	4,781
Taxes Abroad	297	577
	6,212	5,358

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

20.2 Taxes payable

Current liabilities

	09.30.2012	12.31.2011
ICMS	1,377	1,161
PIS/COFINS	333	309
CIDE	17	254
Special Participation / Royalties	2,361	2,767
Withholding income taxes	155	443
Current income taxes	377	263
Other taxes	561	650
	5,181	5,847

20.3 Deferred taxes - non-current

	09.30.2012	12.31.2011
Non-current assets		
Deferred income taxes	3,273	4,287
Deferred ICMS	996	1,172
Deferred PIS and COFINS	4,196	4,978
Others	272	252
	8,737	10,689
Non-current liabilities		
Deferred income taxes	17,879	17,715
Others	4	21
	17,883	17,736

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

20.4 Deferred income taxes - non-current

Income taxes in Brazil comprise income tax and the social contribution on net income, where the applicable official rates are 25% and 9%, respectively.

The changes in the deferred income taxes are presented as follows:

	Property, Plant & Equipment Exploration costs for the extraction of crude oil and gas	Other	Accounts receivable / payable, loans and financing	Finance leases	Provision for legal proceedings
Balance at December 31, 2010	(10,020)	(1,611)	(1,112)	(673)	298
Recognized in the results for the year	(2,388)	(1,289)	472	(110)	88
Recognized in shareholders' equity	-	-	-	24	-
Cumulative translation adjustment	1,032	594	73	83	(32)
Others	2	103	142	(168)	(19)
Balance at December 31, 2011	(11,374)	(2,203)	(425)	(844)	335
Recognized in the results for the period	(1,698)	(812)	1,161	-	6
Recognized in shareholders' equity	-	-	-	-	-
Cumulative translation adjustment	966	52	31	70	(16)
Others	(14)	15	(80)	(38)	28
Balance at September 30, 2012	(12,120)	(2,948)	687	(812)	353

Management considers that the deferred tax assets will be realized in proportion to the realization of the provisions and the final resolution of future events, both of which are based on estimates that have been made.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

20.5 Reconciliation of income taxes

The reconciliation of the taxes calculated in accordance with statutory rates and the amount of taxes recorded are presented as follows:

	Jan-Sep/2012	Jan-Sep/2011
Income before income taxes	10,262	22,288
Income taxes at statutory rates (34%)	(3,489)	(7,578)
Adjustments for calculation of the effective rate:		
· Tax benefit from inclusion of interest on shareholders' equity as operating expenses	502	1,630
· Results of companies abroad subject to different tax rates	264	849
· Tax incentives	107	57
· Tax losses	(259)	(210)
· Permanent exclusions/ (additions), net *	(383)	(101)
· Others	154	153
Income taxes expenses	(3,104)	(5,200)
Deferred income taxes	(1,927)	(1,962)
Current income taxes	(1,177)	(3,238)
	(3,104)	(5,200)
Effective rate for income taxes	30.2%	23.3%

* It includes equity accounting.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***21. Employee's benefits**

The Company sponsors defined benefit and variable contribution pension plans in Brazil and abroad, and has a health care plan, with defined benefits, that covers all present and retired employees of the companies in Brazil and their dependents.

The changes in the benefits granted to employees are presented as follows:

	Pension Plan	Jan-Sep/2012 Health Care Plan	Total
Balance at December 31, 2010	2,878	7,074	9,952
Costs incurred in the year	625	1,104	1,729
Payment of contributions	(305)	(365)	(670)
Payment of the financial commitment agreement	(171)	-	(171)
Others	13	-	13
Cumulative translation adjustment	(343)	(871)	(1,214)
Balance at December 31, 2011	2,697	6,942	9,639
Current	414	347	761
Non-Current	2,283	6,595	8,878
	2,697	6,942	9,639
Costs incurred in the period	755	824	1,579
Payment of contributions	(214)	(273)	(487)
Payment of the financial commitment agreement	(76)	-	(76)
Others	12	2	14
Cumulative translation adjustment	(235)	(564)	(799)
Balance at September 30, 2012	2,939	6,931	9,870
Current	417	320	737
Non-Current	2,522	6,611	9,133

Explanation of Responses:

14

2,939

6,931

9,870

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

The net expenditure with the pension and health care plans includes the following components:

	Pension Plan		Health care plan	Total
	Defined benefit	Variable contribution		
Current service cost	162	191	111	464
Cost of interest:				
· With financial commitment agreement	219	-	-	219
· Actuarial	2,502	65	682	3,249
Estimated income from the plan's assets	(2,343)	(20)	-	(2,363)
Amortization of unrecognized actuarial losses	161	7	28	196
Contributions by participants	(164)	(42)	-	(206)
Unrecognized past service cost	9	3	3	15
Others	4	1	-	5
Net costs for the period Jan-Sep/2012	550	205	824	1,579
Related to:				
Active employees	271	201	312	784
Retired employees	279	4	512	795
Net costs for the period Jan-Sep/2012	550	205	824	1,579
Net costs for the period Jan-Sep/2011	312	167	848	1,327

At September 30, 2012, the balances of the Terms of Financial Commitment (TFC), signed by the Company and Petros in 2008, amounted to US\$ 2,630, of which US\$ 63 in interest falls due in 2012. On the same date, the Company held crude oil and oil products from its inventory pledged as security for the TFC in the amount of US\$ 2,897, replacing the long-term National Treasury Notes that previously guaranteed the commitment, in July 2012.

In the nine-month period ended September 30, 2012 the Company's contribution to the defined contribution portion of the Petros Plan 2 was US\$ 195.

Explanation of Responses:

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

22. Shareholders' equity

22.1 Paid-in capital

At September 30, 2012, subscribed and fully paid-in capital in the amount of US\$ 107,362 is represented by 7,442,454,142 outstanding common shares and 5,602,042,788 outstanding preferred shares, all of which are registered, book-entry shares with no par value.

22.2 Dividends

Interest on shareholders' equity – fiscal year 2012

The Company's Board of Directors approved on April 27, 2012, the early distribution of remuneration to shareholders in the form of interest on shareholders' equity, as established in article 9 of Law 9,249/95 and Decrees 2,673/98 and 3,381/00, in the amount of US\$ 1,432 corresponding to a gross value of US\$ 0.11 per common and preferred shares, which payment occurred on May 31, 2012, based on the shareholding position of May 11, 2012.

This interest on shareholders' equity should be discounted from the remuneration that will be distributed at the closing of fiscal year 2012. The amount is monetarily restated in accordance with the variation of the SELIC rate since the date of effective payment until the end of the aforementioned year. At September 30, 2012 the restated amount of interest on shareholders' equity is US\$ 1,469.

The interest on shareholders' equity is subject to 15% of withholding income tax, except for shareholders that are declared immune or exempt.

22.3 Earnings per Share

	Jan-Sep/2012	Jan-Sep/2011
Net income attributable to Petrobras' shareholders	7,271	17,316
Weighted average of the number of common and preferred shares outstanding (No. of shares)	13,044,496,930	13,044,496,930
Basic and diluted earnings per common and preferred share (US\$ per share)	0.56	1.33

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Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***23. Sales revenues**

	Jan-Sep/2012	Jan-Sep/2011
Gross sales revenue	133,031	137,824
Sales charges	(24,588)	(28,163)
Sales revenues	108,443	109,661

24. Other operating expenses, net

	Jan-Sep/2012	Jan-Sep/2011
Pension and health care plans	(794)	(716)
Unscheduled stoppages and pre-operating expenses	(614)	(590)
Allowance for marking inventories to market value	(556)	(395)
Institutional relations and cultural projects	(530)	(573)
Losses and contingencies with judicial proceedings	(520)	(241)
Expenses related to collective bargaining agreement	(431)	(364)
Expenditures on health, safety and environment	(216)	(276)
Operating expenses with thermoelectric power stations	(83)	(112)
Gains (losses) on disposal of non-current assets	-	(159)
Impairment	(1)	(3)
Government Grants	360	236
Expenditures/reimbursements from operations in E&P partnerships	83	(79)
Gains from legal and arbitration proceedings	-	417
Others	(84)	(610)
	(3,386)	(3,465)

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***25. Expenses by nature**

	Jan-Sep/2012	Jan
Raw material / products purchased	(45,906)	
Production taxes	(12,161)	
Personnel expenses	(9,013)	
Depreciation, depletion and amortization	(8,241)	
Finished goods and work in progress inventories variation	1,026	
Contracted services, freights, rent and general charges	(15,750)	
Projects without economic viability (It includes dry wells and signature bonuses)	(2,118)	
Taxes expenses	(255)	
Losses with judicial and administrative procedures	(520)	
Gains from legal and arbitration proceedings	-	
Institutional relations and cultural projects	(530)	
Unscheduled stoppages and pre-operating expenses	(614)	
Expenditures on health, safety and environment	(216)	
Allowance for marking inventories to market value	(556)	
Impairment	(1)	
	(94,855)	
Cost of sales	(79,920)	
Selling expenses	(3,776)	
Administrative and general expenses	(3,768)	
Exploration costs	(2,949)	
Research and development expenses	(801)	
Other taxes	(255)	
Other operating expenses, net	(3,386)	
	(94,855)	

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***26. Financial income (expenses), net**

	Jan-Sep/2012	Jan-Sep/2011
Exchange and monetary variation on net debt (*)	(1,861)	(2,685)
Expenses on debt	(3,860)	(3,657)
Income from investments and marketable securities	1,386	2,397
Financial result on net debt	(4,335)	(3,945)
Capitalized financial charges	2,856	3,378
Gains (losses) on derivatives	(47)	(36)
Income from marketable securities	170	215
Other financial expenses and income, net	15	116
Other exchange and monetary variations, net	(1,940)	126
Financial income (expenses), net	(3,281)	(146)
Financial income (expenses), net		
Income	1,995	3,306
Expenses	(1,473)	(895)
Exchange and monetary variations, net	(3,803)	(2,557)
	(3,281)	(146)

(*) Includes monetary variation on debt in local currency indexed to the variation of the US dollar.

27. Supplementary information on the statement of cash flows

	Jan-Sep/2012	Jan-Sep/2011
Amounts paid and received during the period		
Income taxes	719	1,518
Third party withholding income taxes	1,586	1,879

Investment and financing transactions not involving cash

Acquisition of property, plant and equipment on credit	144	4
Formation of provision for decommissioning costs	1	3

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

28. Segment Information

Consolidated assets by Business Area - 09/30/2012

	Exploration and Production	Refining, Transportation & Marketing	Gas & Power Bi
Current assets	6,113	20,166	2,972
Non-current assets	136,943	66,871	24,212
Long-term receivables	4,676	4,260	1,614
Investments	68	2,868	1,132
Property, plant and equipment, net	94,596	59,591	21,092
Intangible assets	37,603	152	374
At September 30, 2012	143,056	87,037	27,184

Consolidated assets by Business Area - 12/31/2011

Current assets	5,617	21,966	2,509
Non-current assets	135,496	62,364	25,136
Long-term receivables	4,140	4,217	1,626
Investments	12	3,362	1,152
Property, plant and equipment, net	90,539	54,629	21,968
Intangible assets	40,805	156	390
At December 31, 2011	141,113	84,330	27,645

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***Consolidated Statement of Income per Business Area - 2012**

	Exploration and Production	Refining, Transportation & Marketing	Gas & Power Bio
Sales revenues	56,280	88,714	8,311
Intersegments	55,670	28,098	1,205
Third parties	610	60,616	7,106
Cost of sales	(25,039)	(98,623)	(6,668)
Gross profit	31,241	(9,909)	1,643
Income (expenses)	(4,266)	(3,452)	(841)
Selling, administrative and general expenses	(387)	(2,424)	(708)
Exploration costs	(2,742)	-	-
Research and development expenses	(376)	(158)	(19)
Other taxes	(41)	(49)	(30)
Other operating expenses, net	(720)	(821)	(84)
Income before financial results and income taxes	26,975	(13,361)	802
Financial income (expenses), net	-	-	-
Equity in results of non-consolidated companies	(1)	(153)	119
Income before income taxes	26,974	(13,514)	921
Income taxes	(9,170)	4,541	(271)
Net income	17,804	(8,973)	650
Net income attributable to:			
Shareholders of Petrobras	17,808	(8,973)	618
Non-controlling interests	(4)	-	32
	17,804	(8,973)	650

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***Consolidated Statement of Income per Business Area - 2011**

	Exploration and Production	Refining, Transportation & Marketing	Gas & Power Bi
Sales revenues	55,113	89,739	7,333
Intersegments	54,726	29,165	984
Third parties	387	60,574	6,349
Cost of sales	(23,926)	(91,782)	(4,020)
Gross profit	31,187	(2,043)	3,313
Income (expenses)	(3,105)	(3,075)	(1,156)
Selling, administrative and general expenses	(364)	(2,392)	(802)
Exploration costs	(1,549)	-	-
Research and development expenses	(571)	(170)	(58)
Other taxes	(33)	(35)	(54)
Other operating expenses, net	(588)	(478)	(242)
Income before financial results and income taxes	28,082	(5,118)	2,157
Financial income (expenses), net	-	-	-
Equity in results of non-consolidated companies	-	(48)	192
Income before income taxes	28,082	(5,166)	2,349
Income taxes	(9,554)	1,729	(732)
Net income	18,528	(3,437)	1,617
Net income attributable to:			
Shareholders of Petrobras	18,538	(3,429)	1,609
Non-controlling interests	(10)	(8)	8
	18,528	(3,437)	1,617

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***Consolidated Statement per International Business Area – September 2012/2011**

	Exploration and Production	Refining, Transportation & Marketing	Gas & Power
Income statement			
Sales revenues	4,020	6,977	456
Intersegments	2,845	1,651	28
Third parties	1,175	5,326	428
Net income before financial results and income taxes	2,125	(123)	103
Net income attributable to shareholders of Petrobras	1,293	(117)	107

	Exploration and Production	Refining, Transportation & Marketing	Gas & Power
Income statement			
Sales revenues	3,531	6,498	393
Intersegments	2,784	1,661	20
Third parties	747	4,837	373
Net income before financial results and income taxes	1,380	(59)	84
Net income attributable to shareholders of Petrobras	1,228	(55)	86

Total Assets

	Exploration and Production	Refining, Transportation & Marketing	Gas & Power
Consolidated assets per International Business Area			

At September 30, 2012	14,640	3,187	785
At December 31, 2011	14,585	3,393	929

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

29. Legal proceedings and contingencies

The Company is defendant in numerous legal proceedings of a tax, civil, labor and environmental nature, arising from the normal course of its operations. The classification of the lawsuits in accordance with the expectation of loss as probable, possible or remote, as well as their estimated amounts, is prepared based on advice from its legal advisors and management's best estimates.

29.1 Provisions for legal proceedings

The Company recognizes provisions in an amount sufficient to cover the expected losses when: there is a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. The main proceedings are related to withholding income taxes on securities issued abroad, losses and damages from the cancellation of an assignment of VAT (IPI) credits to a third party; as well as compensation for fishermen affected by the oil spill occurred in Rio de Janeiro in January 2000.

The Federal Public Attorney's Office and the Public Attorney's Office of the State of Paraná filed lawsuits against Petrobras with respect to compensation for pain and suffering, financial damages and environmental recovery due to oil spillages: (i) at Terminal São Francisco do Sul – Refinaria Presidente Vargas, on July 16, 2000, provided for in 2011, which updated amount at September 2012 is US\$ 34; and (ii) in the Araucária – Paranaguá polyduct (OLAPA), at the headwaters of Rio do Meio (the Meio river), in the town of Morretes – State of Paraná, on February 16, 2001: which resulted in a reconciliation agreement signed on April 26, 2012, provided for in March, 2012 of US\$ 52, US\$ 46 of which were paid in May, 2012 and US\$ 6 are provisioned in order to support expenses to recover the area.

The provisions recognized and provided for in the non current provided for liability, net of restricted deposits for legal proceedings, are as follows:

Non-current liabilities	09.30.2012	12.31.2011
Labor claims	175	155
Tax claims	373	352
Civil claims (*)	146	159
Other claims	79	60
	773	726

(*) Net of restricted deposits for legal proceedings and guarantees, when applicable.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

	09.30.2012	12.31.2011
Opening Balance	726	759
Addition of provision	488	319
Use by payments	(372)	(113)
Transfers by deposits in court	(35)	(161)
Accrual of interest	47	43
Others	(81)	(121)
Closing Balance	773	726

(*) It includes cumulative translation adjustment.

29.2 Legal proceedings classified as possible losses (not provided for)

	Estimates
Tax	19,576
Civil - General	1,642
Labor	1,306
Civil - Environmental	540
Others	3
	23,067

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The following tables present in detail the main lawsuits of a tax and civil nature, whose expectations of loss are classified as possible:

a) Proceedings of a tax nature

Description of proceedings of a tax nature	Estimate
Plaintiff: Federal Revenue Department of Brazil	
1) Deduction from the calculation basis of income tax (IRPJ) and social contribution (CSLL) and a fine on the renegotiation of the Petros Plan. Current situation: Awaiting a hearing of a voluntary appeal at the Administrative Board of Tax Appeals.	1,967
2) Profit of subsidiaries and associates domiciled abroad in 2005, 2006, 2007 and 2008 not included in the calculation basis of IRPJ and CSLL. Current situation: Awaiting a hearing of an appeal at the administrative instance.	1,582
3) Deduction from the calculation basis of IRPJ and CSLL of expenses incurred in 2007 related to benefits to the employees and Petros. Current situation The question is being argued in the ambit of two processes at the administrative level.	766
4) Withheld income tax (IRRF) on remittances for payment of affreightment of vessels in the period from 1999 to 2002. Current situation: The Company is discussing the issue in the judicial sphere and has a preliminary decision that ensures the suspension of the tax liability.	2,355
5) Non payment of CIDE on imports of naphtha sold to Braskem. Current situation: The issue is being discussed at the administrative level.	1,544
6) Non-payment of CIDE in the period from March 2002 till October 2003 in transactions with distributors and petrol stations that were holders of judicial injunctions that determined the sale without transfer of that tribute. Current situation: Awaiting a hearing of an appeal in the Higher Chamber of Tax Appeals (CSRF).	623
7) Non-payment of tax on financial operations (IOF) on intercompany loans. Current situation: Awaiting a hearing of an appeal at the administrative instance.	599
8) Withheld income tax (IRRF) on remittances abroad for payment of petroleum imports.	

Explanation of Responses:

Current situation: Awaiting a hearing of an appeal at the administrative instance. 721

Plaintiff: State Finance Department of Rio de Janeiro

9) ICMS on exit operations of liquid natural gas (LNG) without issuing a tax document in the ambit of the centralizing establishment.

Current situation: The question involves processes in various administrative and judicial stages, where the Company has sought to ensure its rights. 1,389

10) Difference in ICMS rate in operations of sale of aviation jet fuel, due to the declaration of unconstitutionality of Decree 36,454/2004.

Current situation The question involves processes which are in progress at the administrative level, where the Company has presented its defense. 788

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Description of proceedings of a tax nature

Plaintiff: State Finance Department of São Paulo

11) Withdrawal of collection of ICMS on the importing of a drilling rig – temporary admission in São Paulo – breach of accessory obligations.

Current situation: One of the processes is in the administrative stage and another was submitted to judgment to the Company.

Plaintiff: Municipal governments of Anchieta, Aracruz, Guarapari, Itapemirim, Marataízes, Maragogipe.

12) Failure to withhold and collect tax on services provided offshore (ISSQN) in some municipalities located in Espírito Santo, Petrobras having made the withholding and payment of these taxes to the municipalities where the services were provided in accordance with Complementary Law 116/03.

Current situation: The question involves processes in various administrative and judicial stages, when the question is resolved to the Company.

Plaintiff: State Finance Departments of Rio de Janeiro and Sergipe

13) Use of ICMS credits on the purchase of drilling bits and chemical products used in formulating drilling fluids.

Current situation: The question involves processes in various administrative and judicial stages, when the question is resolved to the Company.

14) Other processes of a tax nature

Total for proceedings of a tax nature

b) Proceedings of a civil nature - General

Description of proceedings for a civil nature

Plaintiff: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis - ANP

1) Differences in the payment of special participation charge in fields of the Campos Basin: Albacora, Marlim Sul, Namorado, Pampo and Roncador fields. In addition, the plaintiff is claiming fines for alleged non-compliance with programs.

Current stage: With the conclusion of the administrative phase of this proceeding, this matter was brought to court. The plaintiff obtained an injunction suspending the collection of fines until the end of the trial process, which is currently in the phase of evidence phase.

2) Other proceedings of a civil nature

Total for proceedings of a civil nature

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c) Other Information

Plaintiff: Porto Seguro Imóveis Ltda.

On August 28, 2012, the Superior Court (STJ), unanimously upheld the special appeal filed by Petrobras, dismissing the plaintiff's claims. Porto Seguro Imóveis Ltda., a former minority shareholder of Petroquisa, filed a lawsuit related to alleged losses suffered as a result of the disposal of Petroquisa's interest in various petrochemical companies included in the National Privatization Program. Based on the aforementioned decision, the possibility of an outflow of resources related to this contingent liability which amounted to US\$ 3,837 was considered remote.

29.3 Joint Ventures contingencies – Frade field

In November 2011, there was an oil spillage in the Frade field, located in the Campos basin, which is operated by Chevron Brasil. The federal public prosecutor is conducting an investigation and has initiated a process claiming US\$ 10 billion in damages against Chevron Brazil, Chevron Latin America Marketing LLC and Transocean Brasil Ltda., where the latter was operator of the platform at the time of the spillage.

In April 2012, a new public civil suit was filed by the Federal Public Attorney's Office against Chevron and Transocean, due to droplets of oil identified in underwater images within the Frade field. In this suit the Federal Public Attorney's Office intends to condemn the defendants to a further US\$ 10 billion as compensation for damages to the community.

The assessment by the Company's lawyers is that the amounts claimed are not reasonable and are disproportionately high in relation to the extent of the damages caused. In the second suit, as the oil was not identified on the surface, it is not even possible to conceive of the existence of any actual damage to the community.

Petrobras holds a 30% interest in the Frade consortium. Although it is not a party to the legal suits, because of its equity interest, Petrobras may be contractually obliged to pay 30% of the total contingencies related to the Frade field. In the event Chevron is held legally responsible, Petrobras may be contractually subject to the payment of up to 30% of the costs referring to the compensations.

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29.4 Contingent Assets

29.4.1 Recovery of maintenance costs – Barracuda & Caratinga

In 2006, Petrobras, as representative of Barracuda & Caratinga Leasing Company B.V. (BCLC), filed to an arbitration abroad against Kellogg, Brown, Root, LLC (KBR), to obtain indemnifications for maintenance costs incurred on flexible lines of the Barracuda and Caratinga field, during the period covered by a contractual guarantee.

On September 21, 2011, the arbitration Court decided in favor of BCLC, definitively, condemning KBR to indemnify US\$ 167, pleaded in the arbitration, plus Petrobras' internal costs in conducting the arbitration, in addition to legal fees and costs of the arbitration. After the decision, the Company recognized the amount of US\$ 167 in non-current assets.

30. Guarantees for concession agreements for oil exploration

Petrobras gave guarantees to the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP) in the total amount of US\$ 3,164 for the Minimum Exploration Programs established in the concession agreements for exploration areas, with US\$ 2,779 remaining in force, net of commitments that have been undertaken. Of this amount, US\$ 1,572 corresponds to crude oil from previously identified producing fields pledged as security and US\$ 1,208 refers to bank guarantees.

31. Risk management and derivative instruments

The Company is exposed to a series of risks arising from its operations: market risk related to the price of oil and oil products, foreign exchange and interest rates risk, credit risk and liquidity risk.

31.1 Risk management

Petrobras' risk management policy aims at contributing towards an appropriate equilibrium between its objectives for growth and return and its risk exposure level, whether inherent to the exercise of its activities or arising from the context within which it operates, so that, through effective allocation of its physical, financial and human resources, the Company may achieve its strategic goals.

The Executive Board, responsible for the management of the Company's risks, set up the Financial Integration Committee to periodically assess and establish guidelines for measuring, monitoring, and managing the risks, and to support its decisions. This Committee is permanently composed of all the executive managers of the financial department, and the executive managers of the business departments are convened for discussions of specific themes.

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31.2 Market risk

31.2.1 Risk management of prices of crude oil and oil products

Petrobras preferably maintains exposure to the prices cycle, not using derivatives for hedging the purchases and sales that aim to attend the Company's operational requirements.

Operations with derivatives are limited to hedging the expected results from transactions carried out abroad, which are usually short-term, accompanying the terms of commercial operations.

The main parameters used in risk management, for changes in the Company's prices of crude oil and oil products, in the transactions carried out abroad, are: operating cash flow at risk (CFAR), Value at Risk (VAR) and Stop Loss.

a) Notional amount, fair value and guarantees of derivative instruments of crude oil and oil products

Statement of financial position	Notional value (in thousand of bbl)*		Fair value recognized**	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011
Future Contracts	(3,311)	(6,217)	(14)	18
Purchase commitments	33,735	30,193		
Sale commitments	(37,046)	(36,410)		

<u>Options Contracts</u>	(1,429)	(2,130)	(0.34)	(3)
Call	286	(730)	(0.40)	(2)
Long position	6,280	6,728		
Short position	(5,994)	(7,458)		
Put	(1,715)	(1,400)	0.06	(1)
Long position	6,145	3,990		
Short position	(7,860)	(5,390)		
<u>Forward contracts</u>	50	275	(0.2)	-
Long position	50	275		

Total recognized in other current assets and liabilities (14.52) 15

* A negative notional value (in bbl) represents a short position.

** Negative fair values were recorded in liabilities and positive fair values in assets.

Financial income	Jan-Sep/2012	Jan-Sep/2011
Gain (loss) recorded in the income statement for the period	(108)	(43)

Guarantees given as collateral	09.30.2012	12.31.2011
Generally consist of deposits	58	90

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Consolidated notes to the financial statements (Continued)

*(Expressed in millions of Dollars, except when specifically indicated)***b) Sensitivity analysis of crude oil and oil products derivatives**

The probable scenario is the fair value at September 30, 2012. The stressed scenarios consider price changes on the risk variable of 25% and 50%, respectively, comparatively to September 30, 2012.

Oil and Oil Products	Risk	Probable Scenario at 09.30.2012	Stressed Scenario (Δ 25%)	Stressed Scenario (Δ 50%)
Brent	Derivative (Brent prices increase)	5	(199)	(404)
	Inventories (Brent prices decrease)	(1)	205	411
Diesel		4	6	7
	Derivative (Diesel prices decrease)	1	(34)	(69)
	Inventories (Diesel prices increase)	(5)	30	65
Freight		(4)	(4)	(4)
	Derivative (Freight costs decrease)	(0.5)	(0.5)	(0.5)
	Inventories (Freight costs increase)	0.5	0.5	1
Gasoline		-	-	0.5
	Derivative (Gasoline prices increase)	(5)	(28)	(51)
	Inventories (Gasoline prices decrease)	17	43	68
LLS		12	15	17
	Derivative (LLS prices decrease)	2.5	(5.9)	(14.3)

Explanation of Responses:

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	Inventories (LLS prices increase)	(2.0)	6.4	14.8
		0.5	0.5	0.5
	Derivative (Naphtha prices decrease)	1	(3)	(7)
Nafhtha	Inventories (Naphtha prices increase)	(1)	3	7
		-	-	-
	Derivative (Fuel Oil prices increase)	(1)	(66)	(132)
Fuel Oil	Inventories (Fuel Oil prices decrease)	3	69	136
		2	3	4
	Derivative (Propane prices increase)	(0.5)	(14)	(28)
Propane	Inventories (Propane prices decrease)	0.5	14	28
		-	-	-
	Derivative (WTI prices decrease)	(17)	(89)	(163)
WTI	Inventories (WTI prices increase)	29	95	162
		12	6	(1)

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c) Embedded derivatives – sale of ethanol

The Company entered into a sales agreement of ethanol based on a price formula set in the time of signing the contract. The selling price of each ethanol cargo is based on the prices of two distinct references: ethanol and of naphtha.

Considering that naphtha market prices does not have a strict relationship with the cost or market value of ethanol, the portion referring to the derivative instrument was separated from the main agreement and recognized at fair value (level 3), and classified as financial income. The Company determined the fair value of this agreement based on the difference between the spreads for naphtha and ethanol.

The notional value, fair value and the sensitivity analysis of the swap are presented below:

Forward Contract	Notional value (in thousand of m ³)	Fair Value		Sensitivity analysis at 09.30.2012			
		09.30.2012	12.31.2011	Risk	Probable Scenario*	Stres Scenario (Δ 25%)	Stres Scenario (Δ 50%)
Long position (maturity in 2015)	663	26	26	Decrease in spread Naphtha 26 x Ethanol	(3)	(35)	

The probable scenario was obtained by the difference between the future contracts of ethanol and naphtha expiring on December, 31, 2012.

Jan-Sep/2012 Jan-Sep/2011

**Financial
Income**

Gain (loss) recognized in the results for the period	0.50	(6)
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The Company determined the fair value of this contract based on practices used on the market, where the difference between the spreads for naphtha and ethanol is calculated. The selling price of the ethanol in the agreement refers to the Brazilian market (ESALQ). The values of the parameters used in the calculation were obtained from market prices for ethanol and naphtha on the CBOT (Chicago Board of Trade) future market on the last working day of the period of the financial statements.

31.2.2 Foreign Exchange risk management

Foreign exchange risk is one of the financial risks that the Company is exposed to and it originates from changes in the levels or volatility of the exchange rate that reference asset and liabilities positions.

Regarding foreign exchange risk management, Petrobras seeks to identify and handle them in an integrated manner, through the recognition or creation of “natural hedges”, benefiting from the correlation between its income and expenses. In the short term, for the foreign exchange variation inherent to the contracts with the costs and receipts in different currencies, this natural hedge is carried out through allocating cash and cash equivalents between the real and the US dollar or another currency.

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The risk management is done for the net exposure. Periodical analyses of the foreign exchange risk are prepared, assisting the decisions of the executive Board. The foreign exchange risk management strategy may involve the use of derivative instruments to minimize the foreign exchange exposure of certain obligations of the Company.

a) Main transactions and future commitments hedged by foreign currency derivative operations

Swap Contracts

Yen vs. Dollar

The Company entered into a risk management hedge operation denominated cross currency swap, aimed at fixing the amounts in U.S. dollar of bonds issued in yens. The Company does not intend to settle these contracts before the end of the term. Hedge accounting has been adopted for this relationship between the derivative and the loan, qualified as cash flow hedge.

Changes in fair value, to the extent the hedge is effective, tested quarterly, are recognized in accumulated other comprehensive income until the results of the hedged item is realized.

b) Notional value, fair value and guarantees

Statement of financial position	Notional value (in million)		Fair Value	
	09.30.2012	12.31.2011	09.30.2012	12.31.2011

Cross Currency Swap (maturity in 2016)			124	
Long Position (JPY) - 2.15% p.a.	JPY 35.000	JPY 35.000	482	
Short Position (USD) - 5.69% p.a.	USD 298	USD 298	(358)	(3)
Swap (maturity in 2012)			-	
Long Position - USD		USD 127	-	
Short Position - R\$ CDI		BRL 199	-	(1)
U.S. dollar forward (short position)	USD 3.562	USD 87	5	
Total recorded in assets and liabilities			129	

Financial result and shareholders' equity	Jan-Sep/2012	Jan-Sep/2011
Gain (loss) recognized in the results for the period	61	
Gain (loss) recognized in shareholders' equity	6	

The existing foreign-currency derivatives operations do not require guarantee margin deposit.

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c) Sensitivity analysis of financial instruments subject to foreign exchange variation

The Company has assets and liabilities subject to foreign exchange variations, which main exposure is the Real relative to the U.S. dollar. The balances of assets and liabilities in foreign exchange of subsidiaries outside of Brazil are not included below, when transacted in currency equivalent to their respective functional currencies, which translation gains or losses are recorded in cumulative translation adjustments in the Shareholders' equity and transferred to profit or loss when realized.

The probable scenario based on external data, as well as the stressed scenarios (25% and 50% of foreign exchange variation) are, as follows:

Financial Instruments	Exposure in 09.30.2012	Risk	Probable Scenario*	Stressed Scenario (Δ of 25%)	Stressed Scenario (Δ of 50%)
Financial Instruments (Assets)	4,508		(68)	1,127	2,254
Financial Instruments (Liabilities)	(44,129)	Dollar	665	(11,032)	(22,064)
Forward Derivative (Short Position)	(3,562)		13	(228)	(456)
	(43,183)		610	(10,133)	(20,266)
Financial Instruments (Assets)	0.1		-	-	-
Financial Instruments (Liabilities)	(1,314)	Yen	-	(328)	(657)
Cross-currency Swap	449		(6)	97	161
	(864.9)		(6)	(231)	(496)
Financial Instruments (Assets)	547	Euro	(7)	137	273
	(2,692)		33	(673)	(1,346)

Explanation of Responses:

Financial Instruments (Liabilities)	(2,145)		26	(536)	(1,073)
Financial Instruments (Assets)	141	Pound	(2)	35	70
Financial Instruments (Liabilities)	(1,214)	Sterling	20	(303)	(607)
	(1,073)		18	(268)	(537)
Financial Instruments (Assets)	429		(20)	107	215
Financial Instruments (Liabilities)	(1,226)	Peso	58	(307)	(613)
	(797)		38	(200)	(398)
	(48,062.9)		686	(11,368)	(22,770)

* The probable scenario was calculated considering the following risks for December, 31, 2012: Real x Dollar – 1.51% depreciation of the Dollar relative to the Real / Dollar x Yen – 0.05% depreciation of the Yen / Dollar x Euro: 1.24% depreciation of the Euro / Dollar x Pound Sterling: 1.65% depreciation of the Pound Sterling / Dollar x Peso: 4.97% depreciation of the Peso. The data were obtained from Focus report and Bloomberg.

Considering the balance between liabilities, assets, revenues and future commitments in foreign currency, the impact of possible exchange variations does not jeopardize the liquidity of the Company in the short term, as most of its debt mature in the long term.

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31.2.3 Interest rate risk management

Regarding interest rate risk, the Company is mainly subject to the changes in the LIBOR rate for its funding in foreign currency and for the changes in the Brazilian long-term interest rate (TJLP) for its funding in Reais. An increase in the rates negatively impacts the Company's financial expenses and financial position.

Petrobras considers that the exposure to interest rate changes will not have a material impact, and so, preferably does not use derivative financial instruments to manage this type of risk; except for specific situations faced by some companies of the Petrobras group.

a) Main transactions and future commitments hedged by derivative operations

Swap contracts

Floating interest rate (Libor USD) vs. Fixed rate (USD)

The Company entered into an operation denominated interest rate swap, in order to exchange a floating interest rate to a fixed rate aiming at eliminating the mismatch between the cash flows of assets and liabilities from investment projects. The Company does not intend to settle the operation before its maturity term and, therefore, adopted hedge accounting for the relationship between the funding and the derivative.

Other positions held are shown in the table below.

b) Notional value, fair value, guarantees and sensitivity analysis of the interest rate derivatives

Statement of financial position	Notional value (in million)		Fair Value	
	9.30.2012	12.31.2011	9.30.2012	12.31.2011
Swaps (maturity in 2020)				
Short Position	USD 460	USD 478	(42)	(37)
Swaps (maturity in 2015)			(1.4)	(1.4)
Long Position - Euribor	EUR 16	EUR 20	0.1	0
Short Position - 4.19% Fixed rate	EUR 16	EUR 20	(1.5)	(0)
Total recognized in other assets and liabilities			(43.4)	(37.4)
Financial result and shareholders' equity		Jan-Sep/2012	Jan-Sep/2011	
Gain (loss) recognized in the results for the period		(0.7)	-	
Gain (loss) recognized in shareholders' equity		(8)	(36)	

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Interest Rate Derivatives	Risk	Probable Scenario*	Stressed Scenario (Δ of 25%)	Stressed Scenario (Δ of 50%)
HEDGE (Derivative - Swap)	Libor decline	(9)	(4)	9
Debt	Libor increase	9	4	(9)
Net Effect		-	-	-
HEDGE (Derivative - Swap)	Euribor decline	0.1	-	0.04
Debt	Euribor increase	(0.1)	-	(0.04)
Net Effect		-	-	-

*The probable scenario was obtained based on LIBOR futures.

The existing interest rate derivative operations do not require a guarantee margin deposit.

31.3 Credit risk

Petrobras is exposed to the credit risk of clients and financial institutions, resulting from its commercial operations and its cash management. These risks consist of the possibility of non-receipt of sales made and amounts invested, deposited or guaranteed by financial institutions.

Credit risk management in Petrobras is part of financial risk management, which is performed by the Company's officers, under a policy of corporate risk management. The Credit Commissions are, each, composed of executive Managers for Risk Management, Finance and Commercial Department.

The purpose of the Credit Commissions is to analyze questions connected with credit management, not only with respect to granting credit but also with respect to its management; to encourage integration between the units that compose them; and to identify recommendations to be applied in the units involved or to be submitted to the appreciation of higher jurisdictions.

The credit risk management policy is part of the Company's global risk management policy and aims at reconciling the need for minimizing exposure to credit risk and maximizing the result of sales and financial operations, through an efficient credit analysis process and efficient credit granting and management processes.

In its management of credit risks, Petrobras uses quantitative and qualitative parameters that are appropriate for each of the market segments in which it operates.

The Company's commercial credit portfolio is much diversified and the credits granted are divided between clients on the Brazilian market and foreign markets.

Credit granted to financial institutions is distributed among the major international banks rated by the international risk classifiers as Investment Grade and the most important Brazilian banks.

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The maximum exposure to credit risk is represented mainly by the balance of accounts receivable and derivative transactions outstanding.

31.4 Liquidity risk

The Company's liquidity risk is represented by the possibility of a shortage of funds, cash or another financial asset in order to settle its obligations on the established dates.

The policy on liquidity risk management adopted by the Company provides that the maturity of its debt continues to be lengthen, exploring the funding capacity of the domestic market and developing a strong presence in the international capital market by broadening the investor's base in fixed income.

Petrobras finances the working capital through the centralization of the group's cash and assuming short-term debt that is usually related to the flow of trade, as export credit notes and advances on foreign exchange contracts. Investments in non-current assets are financed through long-term debt as bonds issued in the international market, credit bureaus, financing and pre payment of exports, development banks in Brazil and abroad, and lines of credit with national and international commercial banks.

The principal and interest from debts by maturity:

	Maturity	
2012		5,711
2013		8,086
2014		9,148
2015		11,925
2016		18,137

Explanation of Responses:

2017	12,529
2018 and thereafter	66,074
Balance at September 30, 2012	131,610
Balance at December 31, 2011	122,284

31.5 Financial investments (operations with derivatives)

Operations with derivatives are, both in the domestic and foreign markets, earmarked exclusively for the exchange of indexes of the assets that comprise the portfolios, and their purpose is to provide flexibility to the managers in their quest for efficiency in the management of short-term financial assets.

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The market values of the derivatives held in the exclusive investment funds at September 30, 2012 are as follows:

Contract	Quantity	Notional value	Fair value	Maturity
<u>Future DI (Interbank Deposit)</u>	(85,225)	(3,752)	(3.0)	2012 to 2014
Long position	60,026	2,781	(0.5)	
Short position	(145,251)	(6,533)	(2.5)	
<u>Future dollar</u>	2,311	116	-	2012
Long position	2,311	116	-	

32. Fair value of financial assets and liabilities

Fair values are determined based on market prices, when available, or, in the absence thereof, on the present value of expected cash flows. The fair values of cash and cash equivalents, trade accounts receivable, short term debt and trade accounts payable are the same as their carrying values. The fair values of other long-term assets and liabilities do not differ significantly from their carrying values.

At September 30, 2012, the estimated fair value for the Company's long term debt was US\$ 89,336 calculated at prevailing market rates, considering natures, terms and risks similar to the recorded contracts and it may be compared with the carrying value of US\$ 84,226.

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as follows:

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

	Fair value measured based on			Total Fair value recorded
	Prices quoted on active market (Level 1)	Valuation technique supported by observable prices (Level 2)	Valuation technique without use of observable prices (Level 3)	
Assets				
Marketable securities	11,332	-	-	11,332
Commodity derivatives	-	-	26	26
Foreign currency derivatives	5	125	-	130
Balance at September 30, 2012	11,337	125	26	11,488
Balance at December 31, 2011	11,922	130	26	12,078
Liabilities				
Commodity derivatives	(14.8)	-	-	(14.8)
Financial Investment Derivatives	(3)	-	-	(3)
Interest derivatives	(43.4)	-	-	(43.4)
Balance at September 30, 2012	(61.2)	-	-	(61.2)
Balance at December 31, 2011	(55)	(2)	-	(57)

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33. Subsequent events

Funding

a) Global Notes Issue

On October 01, 2012 Petrobras Global Finance B.V. (PGF), a wholly-owned subsidiary of Petrobras, issued 6.5-year and 11-year Global Notes denominated in Euros (€) and 17-year Global Notes denominated in Pounds Sterling (£) in the following terms:

Currency	Volume	Maturity	Coupon*
Euro	€ 1,300	Apr-19	3.25% p.a.
Euro	€ 700	Oct-23	4.25% p.a.
Pound Sterling	£ 450	Oct-29	5.375% p.a.

(*) With annual payments, starting in 2013

The Global Notes are unsubordinated and unsecured obligations from PGF B.V. fully and unconditionally guaranteed by Petrobras.

b) Financing Contract

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

On October 12, 2012, Petrobras signed a financing agreement for up to U.S. \$ 1 billion with Japan Bank for International Cooperation (JBIC). JBIC will be responsible for the loan of up to U.S.\$ 600 of the total and to provide partial guarantees for the remaining portion of U.S.\$ 400, which will be provided by The Bank of Tokyo-Mitsubishi UFJ, Ltd (BTMU). The funds will be used for energy efficiency projects to reduce greenhouse gases.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

34. Information Related to Guaranteed Securities Issued by Subsidiaries

34.1 Petrobras Global Finance B.V. (PGF)

Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities issued by Petrobras Global Finance B.V. (PGF), a 100-percent-owned finance subsidiary of Petrobras. There are no significant restrictions on the ability of Petrobras to obtain funds from PGF.

34.2 Petrobras International Finance Company - PiFCo

Petróleo Brasileiro S.A. - Petrobras has fully and unconditionally guaranteed the debt securities of Petrobras International Finance Company - PifCo, a 100-percent-owned subsidiary of Petrobras.

The following condensed consolidated financial information is provided for Petróleo Brasileiro S.A. – Petrobras, as guarantor, and for Petrobras International Finance Company PifCo, as issuer, as an alternative to providing separate financial statements for the issuer in accordance with Reg SX 3-10 (c). The accounts of Petrobras and PifCo are presented using the equity method of accounting for investments in subsidiaries.

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

Consolidated Statement of Financial Position	Petrobras S.A. Guarantor	PifCo	Jan-Sep/2012 All Other Consolidated Companies	Consolidating and Eliminating Adjustments
	US\$	US\$	US\$	US\$
Assets				
Current assets	47,092	2,900	37,826	(25,863)
Cash and cash equivalents	7,348	1,221	11,440	(5,143)
Marketable securities	12,819	-	3,069	(4,722)
Accounts receivable, net	4,028	1	6,099	1,448
Intercompany receivable	3,612	6	12,211	(15,829)
Inventories	12,427	-	3,376	(854)
Other current assets	6,858	230	1,631	679
Discontinued operations	-	1,442	-	(1,442)
Non-current assets	215,036	26,190	95,945	(80,659)
Intercompany receivable	3,371	26,190	12,578	(42,139)
Marketable securities	138	-	4,725	(4,549)
Deferred tax assets	5,052	-	3,069	616
Other long-term assets	4,333	-	5,441	(229)
Investments	36,606	-	2,609	(33,231)
Property, plant and equipment , net	126,975	-	65,534	(1,114)
Intangible assets	38,561	-	1,989	(13)
Total assets	262,128	29,090	133,771	(106,522)
Liabilities				
Current liabilities	28,423	2,444	17,753	(16,981)
Current debt	457	2,320	4,757	-
Trade accounts payable	6,895	6	6,070	-
Intercompany payables	8,226	5	4,102	(12,333)
Taxes payable	4,218	-	963	-
Other current liabilities	8,627	106	1,861	(4,641)
Discontinued operations	-	7	-	(7)

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

Non-current liabilities	65,058	27,732	73,956	(49,643)
Long-term debt	23,148	27,732	33,346	-
Deferred tax liabilities	16,236	-	1,647	-
Intercompany payables	11,058	-	37,046	(48,104)
Other non-current liabilities	14,616	-	1,917	(1,540)
Petrobras shareholder's equity	168,647	(1,086)	40,984	(39,899)
Non-controlling interests	-	-	1,077	2
Total liabilities and shareholder's equity	262,128	29,090	133,771	(106,523)

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

Consolidated Statement of Financial Position	12.31.2011			
	Petrobras S.A. Guarantor	PifCo	All Other Consolidated Companies	Consolidating and Eliminating Adjustments
	US\$	US\$	US\$	US\$
Assets				
Current assets	50,778	6,515	34,599	(28,790)
Cash and cash equivalents	10,053	4,087	9,426	(4,509)
Marketable securities	12,595	558	12	(4,204)
Accounts receivable, net	3,989	1	7,167	599
Intercompany receivable	7,243	2	11,363	(18,608)
Inventories	11,960	-	4,467	(1,262)
Other current assets	4,938	320	2,164	741
Discontinued operations	-	1,547	-	(1,547)
Non-current assets	212,334	16,998	87,193	(60,217)
Intercompany receivable	6,107	12,387	6,592	(25,086)
Marketable securities	2,782	4,611	2,878	(7,207)
Deferred tax assets	6,580	-	3,370	739
Other long-term assets	3,884	-	6,004	(194)
Investments	29,989	-	3,896	(27,355)
Property, plant and equipment , net	121,176	-	62,403	(1,114)
Intangible assets	41,816	-	2,050	-
Total assets	263,112	23,513	121,792	(89,007)
Liabilities				
Current liabilities	30,352	3,311	22,918	(20,217)
Current debt	1,393	3,045	5,629	-
Trade accounts payable	6,541	5	5,317	-
Intercompany payables	6,531	3	8,643	(15,177)
Taxes payable	4,935	-	912	-
Other current liabilities	10,952	95	2,417	(4,877)
Discontinued operations	-	163	-	(163)

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

Non-current liabilities	56,922	20,930	60,777	(32,693)
Long-term debt	21,790	20,930	29,998	-
Deferred tax liabilities	15,682	-	2,054	-
Intercompany payables	5,245	-	26,486	(31,731)
Other non-current liabilities	14,205	-	2,239	(962)
Petrobras shareholder's equity	175,838	(728)	36,957	(36,229)
Non-controlling interests	-	-	1,140	132
Total liabilities and shareholder's equity	263,112	23,513	121,792	(89,007)

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

Consolidated Statement of Income	Petrobras S.A. Guarantor	PifCo	Jan-Sep/2012		Consolidated
			All Other Consolidated Companies	Consolidating and Eliminating Adjustments	
Sales revenues	83,050	-	87,350	(61,957)	108,443
Third parties	51,065	-	57,378	-	108,443
Intercompany	31,985	-	29,972	(61,957)	-
Cost of sales	(62,869)	-	(76,160)	59,109	(79,920)
Gross profit	20,181	-	11,190	(2,848)	28,523
Income (expenses)					
Selling expenses	(4,651)	-	(2,103)	2,978	(3,776)
Administrative and general expenses	(2,640)	(8)	(1,137)	17	(3,768)
Exploration costs	(2,752)	-	(197)	-	(2,949)
Research and development expenses	(794)	-	(7)	-	(801)
Other taxes	(119)	-	(215)	79	(255)
Other operating income and expenses, net	(3,177)	-	(324)	115	(3,386)
Financial income (expense), net	(823)	(353)	(1,475)	(630)	(3,281)
Equity in results of non consolidated companies	3,489	-	172	(3,706)	(45)
Net income from discontinuing operations	-	6	-	(6)	-
Income before income taxes	8,714	(355)	5,904	(4,001)	10,262
Income tax	(1,443)	-	(1,554)	(107)	(3,104)

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

Net income	7,271	(355)	4,350	(4,108)	7,158
Net income (loss) attributable to:					
Shareholders	7,271	(355)	4,252	(3,897)	7,271
Non-controlling interests	-	-	98	(211)	(113)
	7,271	(355)	4,350	(4,108)	7,158

	Jan-Sep/2011					
Consolidated Statement of Income	Petrobras S.A. Guarantor	PifCo	All Other Consolidated Companies	Consolidating and Eliminating Adjustments	Consolidated	
Sales revenues	82,157	-	535	(45,986)	36,706	
Third parties	48,996	-	(607)	(11,683)	36,706	
Intercompany	33,161	-	1,142	(34,303)	-	
Cost of sales	(53,390)	-	9,594	43,796	-	
Gross profit	28,767	-	10,129	(2,190)	36,706	
Income (expenses)						
Selling expenses	(4,232)	-	(2,003)	2,222	(4,013)	
Administrative and general expenses	(2,669)	(12)	(1,139)	(4)	(3,824)	
Exploration costs	(1,549)	-	(247)	-	(1,796)	
Research and development expenses	(989)	-	(46)	-	(1,035)	
Other taxes	(125)	-	(279)	88	(316)	
Other operating income and expenses, net	(2,965)	-	(673)	173	(3,465)	
Financial income (expense), net	2,438	(442)	(1,308)	(834)	(146)	
Equity in results of non consolidated companies	3,235	-	185	(3,243)	177	
Net income from discontinuing operations	-	134	-	(134)	-	
Income before income taxes	21,911	(320)	4,619	(3,922)	22,288	
Income tax	(4,596)		(586)	(18)	(5,200)	

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

Net income	17,315	(320)	4,033	(3,940)	17,088
Net income (loss) attributable to:					
Shareholders	17,315	(320)	3,982	(3,661)	17,316
Non-controlling interests	-	-	51	(279)	(228)
	17,315	(320)	4,033	(3,940)	17,088

Petróleo Brasileiro S.A. - Petrobras and subsidiaries

Consolidated notes to the financial statements (Continued)

(Expressed in millions of Dollars, except when specifically indicated)

Statement of cash flows	Jan-Sep/2012			Consolidated Elim Adju
	Petrobras S.A. Guarantor	PifCo	All Other Consolidated Companies	
Cash from operating activities – continuing operations	16,758	(348)	5,699	
Cash from operating activities – discontinuing operations	-	(50)	-	
Net cash provided (used) in operating activities	16,758	(398)	5,699	
Cash flows from Investment activities				
Investments in operating segments	(26,683)	-	(7,264)	
Investments in Marketable securities	2,235	5,169	(4,904)	
Net intercompany investing	-	(13,500)	-	
Net cash provided (used) in investing activities	(24,448)	(8,331)	(12,168)	
Cash flows from financing activities				
Capital issuance	-	-	4,584	
Acquisition of non-controlling interest	-	-	-	
Proceeds from borrowings	20,195	6,519	10,193	
Repayments	(10,857)	(656)	(5,105)	
Dividends paid	(3,272)	-	(871)	
Net cash provided (used) in financing activities	6,066	5,863	8,801	
Effect of exchange rate changes on cash and cash equivalents	(1,081)	-	(319)	
Net increase (decrease) in cash and cash equivalents in the period	(2,705)	(2,866)	2,013	
Cash and cash equivalents at beginning of period	10,053	4,087	9,426	
Cash and cash equivalents at the end of period	7,348	1,221	11,439	

Statement of cash flows	Jan-Sep/2011			Consolidated Elim Adju
	Petrobras S.A. Guarantor	PifCo	All Other Consolidated Companies	
Cash from operating activities – continuing operations	15,774	(544)	10,012	

The hierarchy of the fair values of the financial assets and liabilities, recorded on a recurring basis, is presented as

Cash from operating activities – discontinuing operations	-	4,355	-
Net cash provided (used) in operating activities	15,774	3,811	10,012
Cash flows from Investment activities			
Investments in operating segments	(19,362)	(333)	(10,745)
Investments in Marketable securities	4,914	28	711
Net intercompany investing	-	(9,539)	-
Net cash provided (used) in investing activities	(14,448)	(9,844)	(10,034)
Cash flows from financing activities			
Capital issuance	-	-	(1,174)
Acquisition of non-controlling interest	-	-	-
Proceeds from borrowings	25,386	6,006	10,673
Repayments	(20,838)	(545)	(7,697)
Dividends paid	(5,093)	-	(974)
Net cash provided (used) in financing activities	(545)	5,461	828
Effect of exchange rate changes on cash and cash equivalents	(1,046)	-	(1,072)
Net increase (decrease) in cash and cash equivalents in the period	(265)	(572)	(266)
Cash and cash equivalents at beginning of period	12,000	1,197	10,271
Cash and cash equivalents at the end of period	11,735	625	10,005

