PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
January 28, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month of January, 2015

Commission File Number 1-15106

PETRÓLEO BRASILEIRO S.A. - PETROBRAS

(Exact name of registrant as specified in its charter)

Brazilian Petroleum Corporation - PETROBRAS

(Translation of Registrant's name into English)

Avenida República do Chile, 65
20031-912 - Rio de Janeiro, RJ
Federative Republic of Brazil
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ___X___ Form 40-F _______

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _______ No___X____

THIRD QUARTER OF 2014 RESULTS

NOT REVIEWED BY INDEPENDENT AUDITORS

Rio de Janeiro – January 27, 2015

Petrobras announces today its consolidated results, not reviewed by independent auditors, stated in millions of Reais, prepared in accordance with IAS 34, except with errors found in certain amounts of property, plant and equipment.
(A free translation from the original in Portuguese).

The disclosure of the financial statements of the 3Q-2014, not reviewed by independent auditors, aims to comply with covenant obligations in debt agreements and to provide information access to the stakeholders and to the market, with transparency related to recent events known by the public in the context of the "Lava Jato Operation".

The Company understands that it will be necessary to make adjustments at the financial statements to correct the values of fixed assets that may have been impacted by amounts related to misconducts made by suppliers, politicians, Petrobras employees and other groups in the context of the "Lava Jato Operation".

However, due to the fact that it is impracticable to measure in a correct, complete and definite manner such capitalized amounts on property, plant and equipment, the Company considered the adoption of alternative approaches to correct such amounts: (i) use of average percentage of improper payments, mentioned at the testimonies; (ii) fair value measurement of the assets whose constitution was made through agreements with supplier companies in the context of the "Lava Jato Operation". Such alternative approaches were inadequate to change the impracticable determination of overprice related to those improper payments.

To disclose the financial statements of the 3Q-2014, reviewed by independent auditors, the Company has been studying another methodology according to the rules of *Comissão de Valores Mobiliários* (CVM) and *Securities and Exchange Commission* (SEC).

Key indicators

Jan-Sep

3,087	4,959	(38)	3,395	**Consolidated net income attributable to the shareholders of Petrobras**	13,439	17,289	(22)

2,746	2,600	6	2,522	**Total domestic and international crude oil and natural gas production (Mbbl/d)**	2,627	2,542	3

11,735	16,246	(28)	13,091	**Adjusted EBITDA**	42,330	47,413	(11)

The Company reported 3Q-2014 earnings of R$ 3,087 million and the following key events:

- Higher domestic crude oil and NGL production (a 6% increase, 118 thousand barrels/day) due to the production start-up and ramp-up of Production Stationary Units and FPSOs Cidade de São Paulo, Cidade de Itajaí, Cidade de Paraty, P-63, P-55, P-62 and P-58 and also to the start-up of Extended Well Tests (EWTs) of Iara Oeste and Tartaruga Verde.

- Higher crude oil exports (a 134% increase, 185 thousand barrels/day) due to increased production and to the sale of exports that were in progress in June 30 in Brazil.

- Higher oil product production (a 1% increase, 24 thousand barrels/day) generated by increased refining plants utilization factor (100%) and to the conversion of intermediate products.

- Recognition of the asset contingency (R$ 820 million) and its monetary restatement (R$ 1,357 million) related to the improper PIS and COFINS payments over finance income between February 1999 to December 2002.

- The Company increased the estimated useful life of equipment and other assets, decreasing the depreciation in R$ 1,688 million.

- The amounts related to the construction of the refineries Premium I (R$ 2,111 million) and Premium II (R$ 596 million) were written-down due to the interruption of those projects.

- 11.3% depreciation of the Real against the U.S. Dollar on our net liabilities in U.S. Dollars, partially offset by the 7.7% appreciation of the U.S. dollar against the Euro and the 5.2% appreciation of the U.S. dollar against the Pound Sterling on net liabilities exposed to those currencies.

Comments of the CEO

Mrs. Maria das Graças Silva Foster

Dear Shareholders and Investors,

As is widely known, Petrobras is facing a unique moment in its history. In March 2014, the “Operation Lava Jato”, triggered by the Brazilian Federal Police to investigate alleged money-laundering crimes, reached Petrobras through the arrest of the company’s former Downstream Director, Paulo Roberto Costa, on charges of corruption, embezzlement, among other offenses.

On November 13th, 2014 as a result of the facts and proofs obtained in the “Operation Lava Jato” Petrobras decided to postpone the release of its third quarter 2014 financial results. In short, the testimonies examined by Petrobras have indicated the commission of unlawful acts, such as cartelization of suppliers and former employees taking bribes, indicating that the payments to such suppliers were improperly recognized as part of the cost of our fixed assets, therefore requiring adjustments.

Consequently we have concluded that it is impracticable to correctly quantify these improperly recognized values, since the payments were made by external suppliers and cannot be traced back to the company’s accounting records.

Given the impracticality of identifying the improper payments correctly, completely and definitely, and the need to rectify this error, Petrobras considered two approaches: (1) the difference between the fair value of each asset appraised, and its book value; (2) the quantification of the price overrun related to illegal practices, using the information, numbers and dates revealed in the testimonials and plea bargaining of the “Operation Lava Jato”.

The appraised assets represent R$ 188.4 billion, or approximately 1/3 of the company’s total fixed assets (R$ 597.4 billion) and were based on contracts signed between Petrobras and the companies mentioned in “Operation Lava Jato” from 2004 to April 2012.

The evaluation was carried out by global firms internationally recognized as independent evaluators for 81% of the assets appraised. The analysis of the remaining 19% was conducted by the technical teams of Petrobras, employing full methodological consistency and the same assumptions as the work carried out by the independent evaluators.

However, the maturity acquired throughout this appraisal process demonstrated to us that this methodology was not an adequate proxy for the unlawful values paid, as this adjustment would also include amounts originated from different situations, which are impossible to be individually quantified, such as changes in the economic and financial variables (exchange rate, discount rate, risk metrics and cost of capital); changes in the estimates of prices and margins of the input; changes in the projections of prices, margins and demand for products sold; changes in equipment and input prices, wages and other correlated costs; as well as project planning deficiencies (engineering and supply).

The outcome of the appraisals indicated that the assets with fair value below the book value would total R$ 88.6 billion of lower difference. The assets with higher fair value totaled R$ 27.2 billion of higher difference than the book value.

So, we have decided not to use the methodology of determining the fair value as a “proxy” to adjust the company’s fixed assets due to fraud and corruption, because this adjustment would include elements with no direct relation with the unlawful payments. We are going to further examine another methodology that takes into account values, deadlines and information from the “Operation Lava Jato” testimonials, in compliance with the requirements of the regulators (CVM and SEC), aimed at releasing the financial statements reviewed.

Turning now to our third quarter results, our operating profit in the third quarter of 2014 was R$ 4.6 billion, down 48% from the second quarter (R$ 8.8 billion). This drop is mainly due to costs related to the Collective Bargaining Agreement (R$ 1.0 billion), to the payment of the agreement with Bolivia to import natural gas (R$ 0.9 billion) and to the write-off of the projects Premium I and II (R$ 2.7 billion). However, the increased oil output and the resultant growth in exports added R$ 2.4 billion to third quarter operating profit when compared to the prior quarter.

Net income totaled R$ 3.1 billion, down 38% from R$ 5.0 billion in the second quarter, reflecting a lower operating profit.

As for projections regarding cash flow and liquidity, it is important to note that Petrobras’s cash position or operating cash flow will not be affected by any adjustments arising from “Operation Lava Jato” or any other related to the amount of its assets.

We have been very diligent in taking actions that enable us to reiterate that we will not need to visit the debt markets in 2015 due to steps that will increase cash flow, as more fully described below.

First and foremost, Petrobras restates its commitment to uphold its diesel and gasoline pricing policy and its objective of not transferring international market volatility, which, in the current situation, is very favorable to our cash flow. Our current output of oil and oil products enables us to reach stable operating cash flow when Brent prices range from US$ 50/bbl to US$ 70/bbl.

We expect our 2015 domestic oil output to grow, with a target of 4.5% (+/-1 percentage point) above last year´s production. 2015 will be an extension of our accomplishments in 2014, when we added four new platforms that are now ramping up and increased our PLSV fleet from 11 to 19 vessels. Therefore, output in 2015 will be sustained by the interconnection of 69 producing and injection wells, by the start-up of P-61/TAD (Papa-Terra field) in the first quarter and by the start-up of FPSO Cidade de Itaguaí (Iracema Norte field) in the fourth quarter.

Consequently, we expect to generate operating cash flow (after tax payments and before interest, dividends and amortizations) of between US$ 28 billion and US$ 32 billion in 2015 , assuming a Brent price ranging from US$ 50/bbl to US$ 70/bbl and an exchange rate of R$ 2.60/US$ and R$ 2.80/US$. In addition, we considered to have at our disposal guarantees from the Brazilian Federal Government to the receivables of the electric sector which will allow us to negotiate these credits in the financial market.

With regards to capital expenditures, we are reducing the pace of some projects, particularly those with low contribution to cash flow over the next two years, so that our investments remain within US$ 31 billion to US$ 33 billion in 2015.

Our portfolio of assets also indicates divestment opportunities for 2015, with a potential contribution to cash flow equivalent to those achieved in 2014. The implementation of these divestments will depend on the development of the market conditions.

It is important to stress that our cash position has been favored by the strong Brent price decrease of the last three months and is comfortably positioned regarding the amounts that we consider sufficient to maintain our operations with the necessary liquidity throughout the year.

We continue to work closely with our external auditor (PwC) to prepare audited accounting statements as quickly as possible, not only in relation to the adjustments to the financial statements, but also in relation to the need to enhance internal controls.

I would like to highlight the nomination of our Governance, Risk and Compliance Officer João Adalberto Elek Júnior last January 19. João Elek was chosen among market professionals with a proven record of accomplishment in governance. He successfully completed the selection process conducted by Korn Ferry, specialized in the recruitment and placement of executives, was elected from a list of three candidates submitted to the Board of Directors of Petrobras and is to remain in the position for a three-year period, which may be renewable.

Therefore, at this time I would like to reaffirm our commitment to overcoming these obstacles. We are providing all the necessary conditions so that the ongoing investigations, whether they be internal or external, are conducted independently, without any restrictions. We are being transparent with you, our shareholders and investors. We are working diligently so that in the future our company is recognized for its methods of governance and internal controls in the same way it has been recognized for its technical and operational capabilities.

Maria das Graças Silva Foster

Chief Executive Officer

FINANCIAL HIGHLIGHTS

Main Items and Consolidated Economic Indicators

Jan-Sep

88,377	82,298	7	77,700	**Sales revenues**	252,220	223,862	13

21,065	19,015	11	16,585	**Gross profit**	59,534	54,149	10

4,584	8,848	(48)	5,723	**Net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes**	21,009	27,327	(23)

(972)	(940)	(3)	(1,020)	**Net finance income (expense)**	(2,086)	(3,181)	34

3,087	4,959	(38)	3,395	**Consolidated net income attributable to the shareholders of Petrobras**	13,439	17,289	(22)

0.24	0.38	(37)	0.26	**Basic and diluted earnings per share [1]**	1.03	1.33	(23)

229,723	217,725	6	229,078	**Market capitalization (Parent Company)**	229,723	229,078	–

24	23	1	21	**Gross margin (%)**	24	24	–

5	11	(6)	7	**Operating margin (%)** **2**	8	12	(4)

3	6	(3)	4	**Net margin (%)**	5	8	(3)

11,735	16,246	(28)	13,091	**Adjusted EBITDA – R$ million [3]**	42,330	47,413	(11)

Net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes by business segment

15,372	16,466	(7)	17,682	**. Exploration & Production**	48,084	46,570	3

(7,957)	(5,916)	(34)	(8,501)	**. Refining, Transportation and Marketing**	(21,293)	(18,629)	(14)

(484)	804	(160)	(343)	**. Gas & Power**	951	1,676	(43)

(66)	(72)	8	(127)	**. Biofuel**	(204)	(271)	25

(205)	737	(128)	462	**. Distribution**	1,289	2,256	(43)

5	652	(99)	220	**. International**	1,111	3,627	(69)

(2,966)	(2,696)	(10)	(2,825)	**. Corporate**	(9,041)	(8,102)	(12)

21,044	20,915	1	25,150	**Capital expenditures and investments**	62,543	69,263	(10)

101.85	109.63	(7)	110.37	**Brent crude (US$/bbl)**	106.57	108.45	(2)

2.27	2.23	2	2.29	**Average commercial selling rate for U.S. dollar (R$)**	2.29	2.12	8

2.45	2.20	11	2.23	**Period-end commercial selling rate for U.S. dollar (R$)**	2.45	2.23	10

11.3	(2.7)	-	0.5	**Variation period-end commercial selling rate for U.S. dollar (%)**	4.6	9.1	-

10.90	10.89	−	8.51	**Selic interest rate - average (%)**	10.74	7.74	3

Average price indicators

224.52	225.36	–	210.00	**Domestic basic oil products price (R$/bbl)**	225.74	207.04	9

Sales price - Brazil

90.73	99.02	(8)	98.87	**. Crude oil (U.S. dollars/bbl) [4]**	95.77	98.64	(3)

49.28	49.58	(1)	46.35	**. Natural gas (U.S. dollars/bbl)**	48.76	48.51	1

**Sales price -
International**

84.05	87.91	(4)	85.97	**. Crude oil (U.S. dollars/bbl)**	85.46	90.65	(6)

19.16	20.36	(6)	18.38	**. Natural gas (U.S. dollars/bbl)**	20.83	20.88	–

1 Basic and diluted earnings per share calculated based on the weighted average number of shares.

2 Calculated based on net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes.

3 EBITDA + share of earnings in equity-accounted investments and impairment.

4 Average between exports and the internal transfer prices from Exploration & Production to Refining, Transportation and Marketing.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

3Q-2014 x 2Q-2014 Results:

Gross Profit

Gross profit increased by 11% (R$ 2,050 million), mainly due to:

Ø Sales revenues of R$ 88,377 million, 7% higher when compared to the 2Q-2014, attributable to increased crude oil exports and a higher domestic demand, mainly diesel, principally met by domestic output of oil products.

Ø Costs of sales of R$ 67,312 million, 6% higher when compared to the 2Q-2014, due to an increase in crude oil import costs, resulting from the higher share of imports on feedstock processed and to higher crude oil production costs, besides the effect of foreign exchange depreciation on import costs and on production taxes and the recognition of the impacts of an agreement as to the performance of the Bolivian natural gas import contract (R$ 996 million). These effects were partially offset by lower share of oil product imports on sales mix and by the decreased depreciation in R$ 802 million, generated by the reviewed and increased estimated useful life of equipment and other assets made by the Company.

Net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes

Net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes decreased by 48% (R$ 4,264 million), due to the write-down of the amounts related to the construction of the refineries Premium I (R$ 2,111 million) and Premium II (R$ 596 million) generated by the interruption of those projects, to higher employee compensation costs arising from the 2014 Collective Bargaining Agreement and to higher sales expenses (R$ 1,534 million), due to the registration of allowance for doubtful accounts over receivables of Independent Energy Producers. These effects were partially offset by the recognition of the asset contingency related to the improper PIS and COFINS payments (R$ 820 million) over finance income, by the extraordinary gain (R$ 506 million) from an out-of-court agreement regarding performance bonds of P-19 and P-31 platforms, by write-offs of areas occurred in the 2Q-2014 returned to the National Agency of Petroleum, Natural Gas and Biofuels – ANP in the amount of R$ 434 million and higher gross profit.

Net finance expense

Net finance expense of R$ 972 million, R$ 32 million higher than in the 2Q-2014, resulting from the 11.3% depreciation of the Real against the U.S. Dollar on our net liabilities (foreign exchange appreciation of 2.7% in the 2Q-2014), offset by the 7.7% appreciation of the U.S. dollar against the Euro and the 5.2% appreciation of the U.S. dollar against the Pound Sterling on net liabilities exposed to those currencies and by the monetary restatement of the asset contingency related to the improper PIS and COFINS payments over finance income.

Net income attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras reached R$ 3,087 million, 38% lower when compared to the 2Q-2014, resulting from higher operating expenses mainly due to the write-down of the amounts related to the construction of the refineries Premium I and Premium II.

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

Jan-Sep/2014 x Jan-Sep/2013 Results:

Gross Profit

Gross profit increased by 10%, mainly due to:

Ø Sales revenues of R$ 252,220 million, 13% higher, when compared to Jan-Sep/2013, resulting from:

- Higher oil product prices in the domestic market attributable to diesel and gasoline adjustments in 2013 and to the impact of foreign currency depreciation (8%) over the price of oil products that are adjusted to reflect international prices and over export prices, as well as higher electricity and natural gas prices;

- A 3% increase in the domestic demand for oil products, mainly diesel (2%), gasoline (5%) and fuel oil (21%), and an increase in crude oil export volume (12%), partially offset by a decrease in oil product export volume (13%).

Ø Cost of sales of R$ 192,686 million, 14% higher when compared to Jan-Sep/2013, due to:

- Higher import costs and production taxes attributable to foreign currency depreciation;

- Domestic oil products sales volumes were 3% higher and were partially met by imports. LNG import volumes were higher to meet the domestic demand;

- Crude oil production costs were higher, resulting from an increase in well interventions, from the start-up of new plants that are operating below full capacity and higher employee compensation costs arising from the 2013 and 2014 Collective Bargaining Agreement;

- Impact of an agreement signed as to the performance of the Bolivian natural gas import contract (R$ 996 million);

- Decreased depreciation in R$ 802 million, generated by the reviewed and increased estimated useful life of equipment and other assets made by the Company.

Net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes

Net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes reached R$ 21,009 million in Jan-Sep/2014, a 23% decrease when compared to Jan-Sep/2013. This result reflects the write-down of the amounts related to the construction of the refineries Premium I (R$ 2,111 million) and Premium II (R$ 596 million) generated by the interruption of those projects, the impact of our Voluntary Separation Incentive Plan - PIDV (R$ 2,455 million), an increase in selling expenses (R$ 2,094 million) mainly due to the to the registration of allowance for doubtful accounts over receivables of

Independent Energy Producers and higher write-offs of dry and/or sub-commercial wells (R$ 1,347 million) and lower gains on disposal of assets (R$ 897 million). These effects were partially offset by the recognition of the asset contingency related to the improper PIS and COFINS payments (R$ 820 million) over finance income and by a higher gross profit.

Net finance expense

Net finance expense was R$ 1,095 million lower, as a result of the monetary restatement of the asset contingency over improper payments of PIS and COFINS over finance income, of lower foreign exchange and inflation indexation charges, attributable to a lower period-end exchange rate variation (a 4.6% depreciation of the Real against the U.S. dollar from December 31, 2013 to September 30, 2014 against a 9.1% depreciation of the Real from December 31, 2012 to September 30, 2013) and also to the 8.3% appreciation of the U.S. dollar against the Euro and the 1.9% appreciation of the U.S. dollar against the Pound Sterling over net liability exposures on those currencies, partially offset by higher interest expenses resulting from an increase in our finance debt

Net income attributable to the shareholders of Petrobras

Net income attributable to the shareholders of Petrobras reached R$ 13,439 million in Jan-Sep/2014, 22% lower than in Jan-Sep/2013, due to a decrease in the net income before financial results, share of earnings in equity-accounted investments, profit sharing and income taxes and higher net finance expense, partially offset by lower income tax charges.

FINANCIAL HIGHLIGHTS

NET INCOME BY BUSINESS SEGMENT

Petrobras is an integrated energy company and most of the crude oil and natural gas production from the Exploration & Production segment is transferred to other business segments of the Company.

Our results by business segment include transactions carried out with third parties, transactions between companies of Petrobras System and transfers between business segments calculated by internal transfer prices defined through methodologies based on market parameters.

EXPLORATION & PRODUCTION

Jan-Sep

10,131	10,793	(6)	11,613	**Net Income**	31,578	30,480	4

(3Q-2014 x 2Q-2014): The increase in crude oil and NGL production (6%), the extraordinary gain from an out-of-court agreement regarding performance bonds of P-19 and P-31 platforms and the impact, in the 2Q-2014, of the write-offs of areas returned to the National Agency of Petroleum, Natural Gas and Biofuels – ANP partially offset the decrease in net income, generated by lower domestic crude oil sales/transfer prices adjusted to reflect international prices, by higher employee compensation costs resulting from the 2014 Collective Bargaining Agreement and by higher exploration costs.

The spread between the average domestic oil price (sale/transfer) and the average Brent price increased from U.S.$ 10.61/bbl in the 2Q-2014 to U.S.$ 11.12/bbl in the 3Q-2014.

(Jan-Sep/2014 x Jan-Sep/2013): Net income was 4% higher, resulting from an increase in crude oil and NGL production (4%) and higher domestic crude oil prices (sale/transfer prices), reflecting the depreciation of the Real against the U.S. dollar. These effects were partially offset by higher production taxes, increased well maintenance and interventions, higher equipment depreciation, higher costs from oil-platform chartering, higher employee compensation costs resulting from the 2013 and 2014 Collective Bargaining Agreements, the impact of our voluntary separation incentive plan (PIDV), write-offs of dry and/or sub-commercial wells and return of areas to the National Agency of Petroleum, Natural Gas and Biofuels – ANP.

The spread between the average domestic oil price (sale/transfer) and the average Brent price increased from US$9.81/bbl in Jan-Sep/2013 to US$ 10.80/bbl in Jan-Sep/2014.

Jan-Sep

Exploration & Production - Brazil (Mbbl/d) (*)

2,090	1,972	6	1,924	Crude oil and NGL	1,995	1,922	4

441	411	7	390	Natural gas [5]	418	392	7

2,531	**2,383**	6	**2,314**	**Total**	**2,413**	**2,314**	4

(3Q-2014 x 2Q-2014): The 6% increase in crude oil and NGL production is attributable to the ramp-up of P-55 (Roncador), P-62 (Roncador), P-58 (Parque das Baleias) and FPSO Cidade de Paraty (Lula NE), besides the start-up of the extended well test of Iara Oeste and of the Anticipated Production System of Tartaruga Verde.

Natural gas production increased by 7% due to a higher production in P-53 (Marlim Leste), P-54 (Roncador), P-55 (Roncador), P-62 (Roncador), P-58 (Parque das Baleias), FPSOs Cidade de Santos (Uruguá-Tambaú) and Cidade de Paraty (Lula NE).

(Jan-Sep/2014 x Jan-Sep/2013): Crude oil and NGL production increased by 4% in Jan-Sep/2014 resulting from the start-up of Stationary Production Units P-63 (Papa-Terra), P-55 (Roncador), P-62 (Roncador) and P-58 (Parque das Baleias) and from the ramp-up of FPSO Cidade de Itajaí (Baúna), Cidade de Paraty (Lula NE) and Cidade de São Paulo (Sapinhoá). The natural decline of fields partially offset these effects.

The 7% increase in natural gas production is attributable to a higher production in Mexilhão, Parque das Baleias, Uruguá-Tambaú, Sapinhoá and Lula Nordeste fields.

(*) Not reviewed by independent auditor.

5 Does not include LNG. Includes gas reinjection.

FINANCIAL HIGHLIGHTS

Jan-Sep

Lifting Cost - Brazil

U.S.$/barrel:

15.33	14.57	5	14.96	Excluding production taxes	14.70	14.91	(1)

31.37	32.60	(4)	33.25	Including production taxes	32.28	32.95	(2)

R$/barrel:

35.18	32.30	9	34.28	Excluding production taxes	33.59	31.69	6

73.94	71.55	3	75.80	Including production taxes	74.09	70.28	5

Lifting Cost - Excluding production taxes – U.S.$/barrel

(3Q-2014 x 2Q-2014): Lifting cost excluding production taxes in U.S.$/barrel increased by 5%. Excluding the impact of foreign currency variation, it increased by 6%, mainly due to higher employee compensation costs, resulting from our 2014 Collective Bargaining Agreement and to the increase of anchorage, maintenance and submarine inspection costs, besides the higher initial unit costs of FPSOs Rio das Ostras (Tartaruga Verde) and Dynamic (Iara Oeste).

(Jan-Sep/2014 x Jan-Sep/2013): Lifting cost excluding production taxes in U.S.$/barrel decreased by 1% in Jan-Sep/2014, when compared to Jan-Sep/2013. Excluding the impact of foreign currency variation, it increased by 4% due to the start-up of the Stationary Production Units P-63 (Papa-Terra), P-55 (Roncador), P-62 (Roncador) and P-58 (Parque das Baleias), which have higher costs per unit produced during the start-up period. Higher employee compensation costs resulting from our 2013 and 2014 Collective Bargaining Agreements also affected lifting cost.

Lifting Cost - Including production taxes – U.S.$/barrel

(3Q-2014 x 2Q-2014): The 4% decrease in lifting cost including production taxes is attributable to the decrease in the average reference price for domestic crude oil in U.S. dollars (7%), reflecting the variation of international crude oil prices, which are bases for the calculation of production taxes.

(Jan-Sep/2014 x Jan-Sep/2013): The 2% decrease in lifting cost including production taxes in Jan-Sep/2014 when compared to Jan-Sep/2013 is attributable to lower average reference price for domestic crude oil in U.S. dollars (2%), which reflects the variation of international crude oil prices, which are bases for the calculation of production taxes.

(*) Not reviewed by independent auditor.

FINANCIAL HIGHLIGHTS

REFINING, TRANSPORTATION AND MARKETING

Jan-Sep

(5,180)	(3,883)	(33)	(5,508)	**Net Income**	(13,871)	(12,266)	(13)

(3Q-2014 x 2Q-2014): The increased loss was mainly due to the write-down of Premium I and Premium II refineries, generated by the interruption of those projects, partially offset by lower crude oil and oil product acquisition/transfer costs generated by decreased international prices and by higher oil product production (1%).

(Jan-Sep/2014 x Jan-Sep/2013): The increased loss was mainly due to the write-down of Premium I and Premium II refineries, generated by the interruption of those projects, and also to the increase in crude oil acquisition/transfer costs (attributable to the foreign currency depreciation) and to the impact of our Voluntary Separation Incentive Plan (PIDV). These effects were partially offset by higher average oil product prices (9%), attributable to higher diesel and gasoline prices in the domestic market (driven by price increases made throughout 2013), and to a higher oil product production (2%) that partially met the increased demand.