

PETROBRAS - PETROLEO BRASILEIRO SA
Form 6-K
November 27, 2009

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 November, 2009

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 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

PETROBRAS ANNOUNCES RESULTS FOR THE THIRD QUARTER OF 2009 (Rio de Janeiro November 13, 2009) PETRÓLEO BRASILEIRO S.A. Petrobras announces today its consolidated results expressed in millions of Brazilian Reais, in accordance with generally accepted accounting practices in Brazil (BR GAAP) and the norms issued by the CVM (Brazilian Securities and Exchange Commission). In order to facilitate comparisons, the accounting data for the periods ended in 2008 have been adjusted in line with the accounting practices determined by Law 11,638/07 and Presidential Decree 449/08, converted to Law 11,941/09.

Consolidated net income in the 3Q-2009 totaled R\$ 7,303 million. Compared with the 3Q-2008 reflects the reduction in diesel and gasoline prices as of June 2009, the change in commodity prices, the non-recurring expense from the agreement with the ANP besides the exchange losses on assets abroad.

When compared with 2Q-2009 the performance of net income was due to lower diesel and gasoline prices, higher oil and oil product prices, reduced exchange losses on assets abroad and the non-recurring expense from Special Participation.

Year-to-date consolidated net income totaled R\$ 20,853 million, reflecting lower sales prices, exchange losses on assets abroad, the non-recurring expense from Special Participation and the tax benefit from interest on equity. Operating cash flow (EBITDA) recorded a year-on-year decline from R\$ 47,947 million to R\$ 44.929 million in 2009, primarily due to the 10% reduction in the average sales price in Brazil.

Total oil and gas production averaged 2.513 million barrels per day in the 9M-2009 thanks to the start-up of new production units. Reflecting the growth and future prospects of its businesses, the Company market capitalization reached R\$ 351,482 million on November 12.

In the 9M-2009, total oil and gas production in Brazil and abroad climbed by 5% year-on-year, thanks to increased output from the P-52 and P-54 platforms (Roncador), coupled with the startup of P-53 (Marlim Leste), P-51 (Marlim Sul), FPSO Cidade de Niterói (Marlim Leste) and FPSO Cidade de São Vicente (Tupi EWT), which more than offset the natural decline in the mature fields.

Year-to-date investments came to R\$ 50,680 million, mostly allocated to expanding future oil and gas production capacity. Besides, we highlight the Supply, Gas & Energy, and International segments, where the respective priorities were refinery investments in Brazil, the gas pipeline network in Brazil and the distribution businesses in Chile.

This document is divided into five topics:

PETROBRAS SYSTEM	Page	PETROBRAS	Page
Financial Performance	03	Financial Statements	35
Operating Performance	10		
Appendices	24		
Financial Statements	27		

PETROBRAS SYSTEM

Performance

Statement by the CEO, José Sergio Gabrielli de Azevedo

Dear shareholders and investors,

Our excellent results in the third quarter of 2009 reflect the strength of the Company's businesses and its ability to overcome the economic turbulence that characterized last year. Building on our existing foundation we are now confidently preparing for the challenges that will occur if the Brazilian Congress approves the new regulatory framework for the Pre-salt area proposed by the Executive.

The Congress is currently considering important alterations to the oil sector regulations that will give Petrobras an even more important role. Included in the bills under discussion is the capitalization of the Company through the acquisition of rights to produce up to five billion barrels of oil equivalent and designating Petrobras as the exclusive operator, with a minimum stake of 30%, for all the pre-salt areas that will be put out to tender through a production sharing model. It is important to note that the terms for all of Petrobras's existing concessions will remain exactly as they are today..

Aware of the capitalization's magnitude and importance for the Company, we are preparing to execute the transaction in an entirely fair and transparent manner. To this end, Petrobras has been taking part in various forums, receiving suggestions and fine-tuning its corporate governance procedures. Our aim is to ensure that all of our shareholders' rights will be preserved and respected, and that the operation will strengthen not only the Company, but also reflect positively on the national and international capital markets.

Focusing on cost controls and operational efficiency, our third-quarter results were chiefly sustained by increased production of oil and oil products in a scenario of reduced domestic market prices. Brazil's oil output grew by 5% year-on-year and the recovery of the economy pushed up oil product sales by 2%.

Despite the 18% reduction in the average sales price, net income fell by only 13%, excluding the non-recurring negative impact of R\$ 2.048 billion (R\$ 1.3 billion after Income Tax) from the payment of an additional special take from the Marlim field pursuant to the agreement between Petrobras and the ANP.

On the operational front, the main highlights were the continuing exploration of the pre-salt areas in the Santos basin, where we announced estimated recoverable volume of between 1.1 and 2 billion barrels of oil equivalent from the Guará field. We also recorded excellent productivity, estimated at 50,000 barrels per day from this single well, which strengthened our confidence in the potential and technical feasibility of this new exploration frontier.

In order to sustain our growth, and guarantee the necessary equipment and infrastructure for the development of our reserves, we invested R\$ 18 billion in the quarter, primarily in exploration and production. One such initiative is a tender for 28 new deepwater oil rigs to be built in Brazil.

These massive investments were sustained by our strong quarterly cash flow (EBITDA of R\$ 14 billion) and access to a broad range of funding options. Notably, we raised US\$ 4 billion through an international notes issue in October, the largest ever such offering by a Brazilian company. Demand was three times higher than the final volume, underlining investors' confidence in our ability to conduct our business and generate future results. We also recently concluded our financing of \$ 10 billion with the Chinese Development Bank.

With great pride I conclude by highlighting that we have been included for the fourth consecutive year in the Dow Jones Sustainability World Index (DJSI). This Index is the single most important global sustainability index used by socially and environmentally responsible investors. Our continued inclusion is a recognition of our total commitment to operate in accordance with best social and environmental practices, minimizing any negative impact on the community and the environment

Net Income and Consolidated Economic Indicators

Petrobras posted consolidated net income of R\$ 20,853 million in the 9M-2009, 22% down on year-on-year.

R\$ million							
3rd Quarter				Jan-Sep			
2Q-2009	2009	2008	Δ %		2009	2008	Δ %
55,892	60,264	73,682	(18)	Gross Operating Revenues	169,731	201,301	(16)
44,605	47,877	60,184	(20)	Net Operating Revenues	135,077	162,983	(17)
19,991	18,862	20,122	(6)	Gross Profit	55,668	58,940	(6)
13,896	10,247	12,368	(17)	Operating Profit ⁽¹⁾	34,363	39,902	(14)
(2,461)	707	2,595	(73)	Financial Result	(2,604)	724	(460)
7,734	7,303	9,843	(26)	Net Income	20,853	26,798	(22)
0.88	0.83	1.12	(26)	Net Income per Share	2.38	3.05	(22)
323,479	336,772	344,092	(2)	Market Value (Parent Company)	336,772	344,092	(2)
45	39	33	6	Gross Margin (%)	41	36	5
31	21	21	-	Operating Margin (%)	25	24	1
17	15	16	(1)	Net Margin (%)	15	16	(1)
17,513	13,993	15,132	(8)	EBITDA R\$ million⁽²⁾	44,929	47,947	(6)
Financial and Economic Indicators							
59	68	115	(41)	Brent (US\$/bbl)	57	111	(49)
2.07	1.87	1.67	12	Average US Dollar Price - Sale (R\$)	2.08	1.69	24
1.95	1.78	1.91	(7)	Last US Dollar Price - Sale (R\$)	1.78	1.91	(7)

⁽¹⁾ Operating income before financial result, equity balance and taxes.

⁽²⁾ Operating income before financial result, equity balance and depreciation/amortization.

R\$ million							
3rd Quarter				Jan-Sep			
2Q-2009	2009	2008	Δ %		2009	2008	Δ %
11,808	11,264	14,655	(23)	Operating Income (Corporate Law)	32,071	40,858	(22)
2,461	(707)	(2,595)	(73)	(-) Financial Result	2,604	(724)	(460)
(373)	(310)	308	(201)	(-) Equity Income Result	(312)	(232)	34
13,896	10,247	12,368	(17)	Operating Profit	34,363	39,902	(14)
3,617	3,746	2,764	36	Depreciation / Amortization	10,566	8,045	31
17,513	13,993	15,132	(8)	EBITDA	44,929	47,947	(6)
39	29	25	4	EBITDA Margin (%)	33	29	4

EBITDA is not a measure recognized by the accounting practices adopted in Brazil and other companies may define it in different ways. It should not be considered as an alternative indicator for measuring operating income, or as the best form of measuring liquidity or cash flow from operating activities. EBITDA is an additional measure of the Company's capacity to amortize debt, maintain investments and cover working capital needs.

The behavior of the various components of consolidated net income is shown below:

- A R\$ 3,272 million reduction in gross profit:

Gross Profit Analysis - Main Items	R\$ million		
	Net Revenues	Change 2009 X 2008 Cost of Goods Sold	Gross Profit
. Domestic Market:			
- volumes sold	(4,847)	3,597	(1,250)
- domestic prices	(9,379)		(9,379)
. International Market:			
- export volumes	4,664	(1,446)	3,218
- export price	(13,508)		(13,508)
. Increase (decrease) in expenses: (*)		16,419	16,419
. Increase (decrease) in profitability of distribution segment	746	(505)	241
. Increase (decrease) in profitability of trading operations	(7,338)	7,991	653
. Increase (decrease) in international sales	(5,206)	4,506	(700)
. FX effect on controlled companies abroad	6,357	(5,645)	712
. Others	605	(283)	322
	(27,906)	24,634	(3,272)

(*) Expenses Composition:	Value
- import of crude oil, oil products and gas	12,712
- government take in Brazil	4,376
- generation and purchase of energy for commercialization	960
- alcohol, biodiesel and others non-oil derivative products	42
- transportation: maritime and pipelines ⁽¹⁾	12
- third-party services	(174)
- salaries, benefits and charges	(284)
- materials, services, rents and depreciation	(1,225)
	16,419

⁽¹⁾ Expenses from transportation, terminals and pipelines.

A R\$ 2,267 million increase in operating expenses, notably:

- Selling expenses (R\$ 356 million), due to higher export and trading volumes, the inclusion of the activities of NSS (Japan refinery) and Alvo companies, and the 23.5% appreciation of the average dollar exchange rate (R\$ 139 million);
- General and administrative expenses (R\$ 470 million), due to personnel expenses (R\$ 187 million), as a result of the increase in the workforce, the 2008/09 collective bargaining agreement and salary-level advancements and promotions in 2008, partially offset by lower training and development costs. Further contributions came from the negative exchange variation effect (R\$ 148 million) due to the 23.5% appreciation of average dollar exchange rate and higher third-party service costs (R\$ 74 million), especially expenses related to data processing, partially offset by the reduction following the implementation of the cost optimization policy, of expenses related to travel, materials, ceremonies, gifts and general services. It is also worth noting expenses from the incorporation of new companies (R\$ 47 million), especially in Chile and Japan, as well as Alvo;
- Exploration costs (R\$ 473 million) due to increased geological and geophysical costs in Brazil (R\$ 414 million), in turn caused by the intensification of the Company's investment program, and the write-off of dry or economically unviable wells (R\$ 128 million), partially offset by the reduction in geological and geophysical costs abroad (R\$ 109 million);
- Other operating expenses (R\$ 1,150 million), due to the recognition, in September/2009, of the special take from the Marlim field, pursuant to the agreement between Petrobras and the ANP (R\$ 2,048 million) and losses from the depreciation of commodities (R\$ 298 million). These effects were partially offset by the reduction in expenses from institutional relations, cultural projects and contractual and regulatory fines (R\$ 555million) and provisions for shift-work-related regulations negotiated as part of the 2008/09 collective bargaining agreement (R\$ 136 million), plus revenue from the tax benefit on income from the exploration of areas of interest to SUDAM and SUDENE, due to the inclusion of new beneficiary units.
- A reduction in research and development expenses (R\$ 148 million), due to lower provisions for the contracting of projects from ANP-accredited institutions (R\$ 276 million), due to the reduction in oil prices, which affected the calculation base for establishing minimum R&D investments, partially offset by the increase in third-party services (R\$ 195 million).

Negative impact on the financial result (R\$ 3,328 million), due to monetary and exchange losses on net dollar assets and the result of hedge operations, as shown below:

	R\$ million		
	Jan-Sep/2009	Jan-Sep/2008	Change
FX Effect on Net Debt	1,279	(57)	1,336
Monetary Variation on Financing ⁽¹⁾	1,901	(257)	2,158
Net Financial Expenses	(2,156)	(1,477)	(679)
Financial Result on Net Debt	1,024	(1,791)	2,815
FX Effect on Financial Assets abroad via Controlled Companies and SPC	(3,955)	1,925	(5,880)
Hedge from commercial operations	(280)	137	(417)
Marketable Securities	615	408	207
Other Net Financial Income (Expenses)	50	47	3
Other Net FX and Monetary Variation	(58)	(2)	(56)
Net Financial Results	(2,604)	724	(3,328)

(1) Includes the impact of the monetary variation on national currency financings, linked to the variation in the dollar.

- **A higher result from investments in associated companies (R\$ 80 million) in the petrochemical sector, which more than offset provisions for losses on the investment in the Pasadena refinery and gains from the corporate restructuring of the petrochemical sector investments in 2008.**
- **A negative minority interest impact (R\$ 3,288 million), due to exchange gains on the debt of the Special Purpose Companies and subsidiaries.**

The behavior of the various components of consolidated net income is shown below:

- A R\$ 1,129 million reduction in gross profit

Gross Profit Analysis - Main Items		R\$ million		
		Change 3Q-2009 x 2Q-2009		
		Net Revenues	Cost of Goods Sold	Gross Profit
. Domestic Market:	- volumes sold	3,109	(1,931)	1,178
	- domestic prices	(2,682)		(2,682)
. International Market:	- export volumes	227	(535)	(308)
	- export price	1,194		1,194
. Increase (decrease) in expenses: (*)			(526)	(526)
. Increase (decrease) in profitability of distribution segment		344	(146)	198
. Increase (decrease) in profitability of trading operations		(125)	(211)	(336)
. Increase (decrease) in international sales		1,501	(1,295)	206
. FX effect on controlled companies abroad		(707)	559	(148)
. Others		411	(316)	95
		3,272	(4,401)	(1,129)

(*) Expenses Composition:	Value
- import of crude oil and oil products and gas	(1,228)
- government take in Brazil	(553)
- alcohol, biodiesel and others non-oil derivative products	(2)
- transportation: maritime and pipelines ⁽¹⁾	68
- salaries, benefits and charges	96
- materials, services, rent and depreciation	100
- third-party services	128
- generation and purchase of energy for commercialization	865
	(526)

⁽¹⁾ Expenses from transportation, terminals and pipelines.

Due to the average inventory period of 60 days, international oil and oil product prices, as well as the impact of the exchange rate on imports and government take are not fully reflected in the cost of goods sold in the actual period, but in the subsequent period.

The chart below shows the estimated impact on COGS:

	2Q-2009	3Q-2009	Δ (*)
Effect average cost in COGs (R\$ million)	323	621	298
() COGs increase			

(*)The impact of selling inventories formed at a lower unit cost in previous periods was greater in the 3Q-2009 than in the 2Q-2009, generating a positive effect when comparing COGS in the two quarters, partially offset by the period increase in COGS.

Besides the behavior of international oil and oil products prices and FX rate, the effects above were also due to other factors such as the concentration of operations throughout the quarters (production, imports, sales), inventory volumes and other expenses evolution (personnel, material, services, depletion of oil fields, depreciation of equipments, etc.)

A R\$ 2,520 million increase in the following operating expenses:

- General and administrative expenses (R\$ 132 million), due to the increase in expenses related to engineering services, given the expansion of the Company's operations, and personnel training and development expenses; and
- Other operating expenses (R\$ 2,394 million), due to the recognition, in September/2009, of the special take from the Marlim field, pursuant to the agreement between Petrobras and the ANP (R\$ 2,048 million).

An increase in the financial result (R\$ 3,168 million), due to exchange gains on net dollar assets and the positive effect of the monetary variation on financings, as shown in the table below:

	R\$ million		
	3Q-2009	2Q-2009	Change
FX Effect on Net Debt	178	941	(763)
Monetary Variation on Financing ⁽¹⁾	1,672	190	1,482
Net Financial Expenses	(753)	(565)	(188)
Financial Result on Net Debt	1,097	566	531
FX Effect on Financial Assets abroad via Controlled Companies and SPC	(713)	(2,823)	2,110
Hedge from commercial operations	134	(399)	533
Marketable Securities	162	224	(62)
Other Net Financial Income (Expenses)	(73)	(67)	(6)
Other Net FX and Monetary Variation	100	38	62
Net Financial Results	707	(2,461)	3,168

(1) Includes monetary variation over loans in domestic currency attached to the variation of dollar.

The positive effect of minority interests (R\$ 949 million), due to lower exchange gains over SPE's and controlled companies' debts.

PETROBRAS SYSTEM

Performance

2Q-2009	3rd Quarter			Physical Indicators (*)	Jan-Sep		
	2009	2008	Δ %		2009	2008	Δ %
Exploration & Production - Thousand bpd							
				Domestic Production			
1,964	1,974	1,883	5	Oil and NGL	1,963	1,851	6
319	319	330	(3)	Natural Gas ⁽¹⁾	316	318	(1)
2,283	2,293	2,213	4	Total	2,279	2,169	5
				Consolidated - International Production			
130	137	110	25	Oil and NGL	127	107	19
101	94	100	(6)	Natural Gas ⁽¹⁾	96	100	(4)
231	231	210	10	Total	223	207	8
				Non Consolidated - Internacional Production ⁽²⁾			
10	10	14	(29)	Production ⁽²⁾	11	14	(21)
241	241	224	8	Total International Production	234	221	6
2,524	2,534	2,437	4	Total production	2,513	2,390	5
(1) Does not include liquefied gas and includes re-injected gas							
(2) Non consolidated companies in Venezuela.							
Refining, Transportation and Supply - Thousand bpd							
361	429	423	1	Crude oil imports	405	406	-
121	209	270	(23)	Oil products imports	157	222	(29)
482	638	693	(8)	Import of crude oil and oil products	562	628	(11)
512	485	457	6	Crude oil exports⁽³⁾	483	399	21
237	239	200	20	Oil products exports⁽³⁾	231	234	(1)
749	724	657	10	Export of crude oil and oil products⁽³⁾	714	633	13
267	86	(36)	339	Net exports (imports) crude oil and oil products	152	5	-
168	164	213	(23)	Import of gas and other	154	201	(23)
1	2	3	(33)	Other exports⁽³⁾	1	4	(75)
1,974	2,074	2,006	3	Output of oil products	2,014	1,988	1
1,778	1,867	1,821	3	Brazil	1,806	1,814	-

Edgar Filing: PETROBRAS - PETROLEO BRASILEIRO SA - Form 6-K

196	207	185	12	International	208	174	20
2,223	2,223	2,223	-	Primary Processed Installed Capacity	2,223	2,223	-
1,942	1,942	1,942	-	Brazil⁽⁴⁾	1,942	1,942	-
281	281	281	-	International	281	281	-
Use of Installed Capacity (%)							
90	94	93	1	Brazil	92	92	-
60	67	63	4	International	65	60	5
Domestic crude as % of total feedstock							
79	79	76	3	processed	79	78	1

(3) Include ongoing exports

(4) As per ownership recognized by ANP.

Sales Volume - Thousand bpd

755	769	799	(4)	Diesel	726	762	(5)
331	327	354	(8)	Gasoline	329	337	(2)
98	104	116	(10)	Fuel Oil	102	109	(6)
165	175	141	24	Nafta	164	153	7
212	222	224	(1)	GLP	210	212	(1)
76	82	75	9	QAV	78	73	7
117	131	72	82	Others	114	97	18
1,754	1,810	1,781	2	Total Oil Products	1,723	1,743	(1)
107	118	97	22	Alcohol, Nitrogens, Biodiesel and other	108	88	23
244	244	337	(28)	Natural Gas	237	325	(27)
2,105	2,172	2,215	(2)	Total domestic market	2,068	2,156	(4)
750	726	660	10	Exports	715	637	12
460	531	580	(8)	International Sales	558	589	(5)
1,210	1,257	1,240	1	Total international market	1,273	1,226	4
3,315	3,429	3,455	(1)	Total	3,341	3,382	(1)

(*)Not reviewed by the independent auditors.

Price and Cost Indicators

3rd Quarter				Jan-Sep			
2Q-2009	2009	2008	Δ %		2009	2008	Δ %
Average Oil Products Realization Prices							
160.79	152.65	187.02	(18)	Domestic Market (R\$/bbl)	158.82	176.38	(10.0)
Average sales price - US\$ per bbl							
Brazil							
48.68	64.00	100.58	(36)	Crude Oil (US\$/bbl) ⁽⁵⁾	48.48	97.51	(50)
23.85	19.66	51.01	(61)	Natural Gas (US\$/bbl) ⁽⁶⁾	25.01	42.63	(41)
International							
48.92	57.16	68.74	(17)	Crude Oil (US\$/bbl)	49.24	69.19	(29)
11.23	12.30	15.67	(22)	Natural Gas (US\$/bbl)	12.08	16.82	(28)

(5) Average of the exports and the internal transfer prices from E&P to Supply.

(6) Internal transfer prices from E&P to Gas & Energy.

Costs - US\$/barrel

				Lifting cost:			
				Brazil			
8.72	9.02	10.21	(12)	without government participation	8.53	9.60	(11)
19.50	22.86	30.27	(24)	with government participation	19.06	28.77	(34)
4.78 ⁽⁹⁾	5.60	5.12	9	Internacional	4.95	4.51 ⁽⁷⁾	10
				Refining cost			
3.07	3.37	3.46	(3)	Brazil	3.02	3.53	(14)
5.92 ⁽⁸⁾	3.51	6.40	(45)	International	4.65	5.96 ⁽⁸⁾	(22)
				Corporate Overhead (US\$ million)			
567	745	853	(13)	Parent Company	1,790	2,203	(19)

Costs - US\$/barrel

				Lifting cost			
				Brazil			
17.58	16.84	17.61	(4)	without government participation	17.44	16.40	6
38.86	41.62	54.40	(23)	with government participation	38.28	49.68	(23)
				Refining cost			
6.34	6.27	5.94	6	Brazil	6.17	6.02	2

(7) Revisions in lifting costs in the US, due to hurricanes Ike and Gustav.

(8) Revisions in the Japan refinery cost.

(9) Revisions in lifting costs in Nigeria.

(*)Not reviewed by the independent auditors.

Exploration and production thousand barrels/day

Increased output from the P-52 and P-54 platforms (Roncador), coupled with the startup of P-53 (Marlim Leste), P-51 (Marlim Sul), and FPSO Cidade de Niterói (Marlim Leste) and FPSO Cidade de São Vicente (Tupi EWT), more than offset the natural decline in the mature fields.

Increased output from P-51 (Marlim Sul) and P-53 (Marlim Leste), more than offset the natural decline in the mature fields.

Consolidated international oil and NGL production increased due to the start-up of production in Nigeria in July 2008, partially offset by the reduction in Ecuador due to the sale of part of the interest in Block 18.

Consolidated gas production decreased by 4% due to the reduction in Brazil's imports of Bolivian gas and lower consumption by thermal plants as a result of increased production by the hydro plants, offset by the higher interest in Sierra Chata, in Argentina, in the 4Q-2008.

Consolidated international oil and NGL production moved up due to the start-up of the Akpo Field, in Nigeria, in March/2009, partially offset by the reduction in Colombia due to the reduced share of the Guando field in the Boqueron Association, and the reduction in Argentina thanks to the 20-day strike in August/2009.

Consolidated gas production declined by 7% due to the 20-day strike in Argentina and the reduction in Brazil's imports of Bolivian gas.

Refining, Transportation and Supply thousand barrels/day

Processed crude volume in the country's refineries fell due to reduced market demand at the beginning of the year and scheduled stoppages in the distillation units.

The quarterly increase was due to the programmed stoppage in the distillation unit of the Landulpho Alves Refinery (RLAM) in the 2Q-2009.

Processed crude in the overseas refineries rose by 16% due to the inclusion of the Japanese refinery acquired in April/08, in addition to the improved operating performance of the U.S. refinery.

In the 3Q-2009, processed crude in the overseas refineries fell by 14%, due to a scheduled stoppage in the Japanese refinery in the previous quarter.

Costs

Lifting Cost (US\$/barrel)

Excluding the impact of the depreciation of the Real, the lifting cost in Brazil climbed by 1% over the 9M-2008 due to the increased number of interventions in the Jubarte and Marlim fields, as well as higher personnel expenses due to the increase in the workforce, partially offset by higher output.

Excluding the impact of the depreciation of the Real, the unit lifting cost in Brazil fell by 4%, chiefly due to higher expenses with well non-recurring interventions in the Campos Basin in the 2Q-2009.

The lifting cost fell due to the decrease in the average Brazilian oil price used to calculate the government takes, in turn due to the decline in international prices.

The lifting cost moved up due to the increase in the average Brazilian oil price used to calculate the government take, thanks to the international price recovery, and the increase in the tax rate on the take, especially in the Marlim Sul and Marlim Leste fields.

The international unit lifting cost increased due to higher third-party service costs in Argentina, in turn caused by the tariff revision in the 2H-2008.

The quarter-over-quarter increase was due to the change in the International Area's production profile thanks to the growth in Nigerian offshore extraction, together with increased third-party service costs in Argentina and the higher number of well interventions.

Refining Cost (US\$/barrel)

Excluding the impact of the depreciation of the Real, the domestic refining cost moved up by 4%, due to higher expenses with personnel and materials, chiefly due to higher catalyst prices.

Excluding the impact of the depreciation of the Real, the refining cost remained flat over the 2Q-2009.

The international refining cost fell by 22% due to the higher volume of processed crude in the Pasadena refinery (USA) following the programmed maintenance stoppage in the 1Q-2008, as well as the inclusion of the Japanese refinery as of April 2008, whose refining costs are lower than the International Area average.

The refining cost fell and the volume of processed crude moved up due to 2Q-2009 stoppages in the Pasadena (USA) and Okinawa (Japan) refineries.

Corporate Overhead Parent Company (US\$ million)

Excluding the impact of the depreciation of the Real, corporate overhead fell by 2% over the 9M-2008 due to the adoption of a cost optimization policy, in special for lower expenses from sponsorships and advertising, trips, materials, tributes and other services, partially offset by the upturn in data-processing and personnel expenses.

Discounting the appreciation of the Real, in the quarter-on-quarter comparison, corporate overhead increased by 22%, due to the increase in personnel expenses from the pay rise resulting from the 2009/10 collective bargaining agreement, partially offset by the reduction in data-processing expenses.

Sales Volume thousand barrels/day

Domestic sales volume fell by 4% over the 9M-2008, reflecting reduced sales of diesel and natural gas. Diesel sales were impacted by the reduction in economic activity, the lack of sales to thermal plants in the interconnected system in 2009, the increase in the percentage of biodiesel from 3% to 4%, the decline in the 2009 grain harvest, and third-party imports. Natural gas sales were also jeopardized by the economic slowdown, the replacement of gas with fuel oil for industrial use, and reduced demand from the thermal plants due to higher reservoir levels in the Southeast.

Exports increased 12% year-on-year, led by oil, thanks to increased production.

RESULT BY BUSINESS AREA R\$ million ⁽¹⁾

3rd Quarter				Jan-Sep				
2Q-2009	2009	2008	Δ %		2009	2008	Δ %	
	5,451	5,198	10,854	(52)	EXPLORATION & PRODUCTION	13,134	32,323	(59)
	5,507							