

BRAZILIAN PETROLEUM CORP
Form 6-K
February 21, 2006

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 February, 2006

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 FISCAL YEAR 2005 FOURTH QUARTER RESULTS

(Rio de Janeiro February 17, 2006) PETRÓLEO BRASILEIRO S.A. PETROBRAS releases its consolidated results today, expressed in millions of reais, according to Brazilian GAAP.

PETROBRAS reported net income of R\$ 23,725 million in 2005, 40% higher than the amount reported in 2004 and the highest in its history. 2005-4Q net income of R\$ 8,142 was also a record.

In 2005-4Q, consolidated net operating income was R\$ 38,638 million, 31% higher than the same period in 2004 (R\$ 29,402 million). EBITDA in 2005-4Q was R\$ 12,416 million, 40% higher than the R\$ 8,858 million reported in 2004-4Q. The market value of the company at 12.31.2005 totaled R\$ 173,584 million, an increase of 54% when compared to year-end 2004.

- Consolidated net income in 2005-4Q was R\$ 8,142 million, 92% higher than the 2004-4Q results, due to higher oil and oil product prices in the domestic and international markets, the increase in domestic oil and NGL (15%) production, the higher production and quality of oil products (2%) and the fiscal benefit (R\$ 746 million) arising from greater provisioning of interest on own capital. Partially offsetting these gains were higher expenses from drilling and exploration as well as other operating expenses.
- Total production of oil, NGL's and natural gas increased by 11% in 2005-4Q versus the same period in 2004, reaching an average of 2,257 thousand barrels per day due in part to the start of production at platform P-43 (Barracuda) in December/2004 and platform P-48 (Caratinga) in February/2005. The domestic production of oil and NGL's averaged 1,736 barrels/day in 2005, with 85% being produced in the Bacia de Campos (1,467 barrels/day).
- The share of the domestic oil in the refinery throughput was also a record, reaching 1,376 thousand barrels/day in 2005 (against 1,292 barrels/day in 2004).
- During 2005-4Q and for the full year 2005, the increase in Brazilian production of oil and oil products caused PETROBRAS to become a net exporter for the first time, exporting more liquid barrels of oil and oil products than were imported.
- Brazil's proven reserves in 2005 based on SPE (*Society of Petroleum Engineers*) criteria, totaled 13.2 billion barrels of oil equivalent (BOE), an increase of 2% over 2004 (implying a reserve life of 19.7 years based on

current production rates). The Reserves Replacement Index (RRI) was 131.1% The International proven reserves totaled 1.68 billion of boe in 2005 (SPE criteria), a decrease of 0.191 billion of boe when compared to 2004, due to the reassessment of reserves in Bolivia and Argentina. The implied reserve life for International production is now 17.8 years. According to SEC criteria, proven reserves in 2005 were 10.6 billion of boe in Brazil and 1.197 billion of boe abroad (10.6 billion of BOE and 1.25 billion of BOE in 2004, respectively).

- The consolidated net debt of PETROBRAS was reduced from R\$ 35,816 million on 12.31.2004 to R\$ 24,825 million as of 12.31.2005, due to higher cash flow generation and a decrease in reported debt caused by the appreciation of the Brazilian real against the U.S. dollar (12%).
- For 2005 on a consolidated basis PETROBRAS invested R\$ 25,710 million (14% higher than the previous year). Of this amount, R\$ 13,934 million were invested in developing oil and natural gas production in Brazil. These investments include those incurred by the Special Purpose Entities (SPEs), which amounted to R\$ 2,385 million.
- PETROBRAS full year 2005 results allow for the Board of Directors to propose for approval a dividend in the amount of R\$ 7,018 million (R\$ 1.60 per share) at the Annual Shareholders Meeting on 04.03.2006. This dividend includes interest on own capital in the amount of R\$ 5,483 million (R\$ 1.25 per share), and is subject to withholding tax of 15% (except for those shareholders who are exempt from such tax). Of this amount, R\$ 2,193 million has already been allocated to shareholders and was paid on 01.05.2006.
- The value added by the consolidated PETROBRAS, for the fiscal year 2005, reached R\$ 115.311 million, 21% above that of 2004, with R\$ 63.810 million allocated to the government through federal, state and municipal taxes, R\$ 17.110 million to financial expenses, rentals and charters, R\$ 24.748 million to the shareholders and R\$ 9.643 million to salaries, benefits and other charges.

This document is broken down into 5 sections:

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PETROBRAS Índices
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PETROBRAS SYSTEM

Comments from the CEO, Mr. José Sergio Gabrielli de Azevedo

2005 was a banner year for Petrobras: Consolidated net income was a record R\$ 23.7 billion, 40% higher than 2004's previous record income. On the operating front, new benchmarks were established: oil and gas production in Brazil and overseas averaged 2.217 million barrels of oil equivalent (BOE) per day, a 10% increase over 2004. Furthermore, we invested R\$25.7 billion in 2005, a 14% increase.

Entrepreneurial success, excellent operating and financial results, technological achievements, the establishment of partnerships, and our revised business plan, all contribute to a promising future with sustainable growth. Our Business Plan's call for total investments of US\$ 56.4 billions during the next five years, is indicative of the Company's opportunity for growth all our business segments, both in Brazil and overseas.

The start-up of two major new platforms (P-43 and P-48), adding a further 300,000 barrels to domestic production capacity, was an important step towards realizing the dream of making our principal market, Brazil, self-sufficient in oil production. National self-sufficiency will be achieved once production from P-50, now in test phase, begins to flow. During 2005, we achieved a milestone in our Company history by reaching peak production of 1.8 million BOE per day, with a daily average output during the year of 1.684 million barrels, 13% more than the average for 2004. This ranks us among the fastest growing companies in the global hydrocarbons industry.

Due to the expansion of investments in exploration and production, the Company was able to report some important discoveries and at the same time, announce the commercial viability of new fields in the Santos, Espírito Santo and Campos basins, where preliminary evaluations for the gigantic Papa Terra field reveal recoverable volumes of between 700 million and one billion BOE. Among the new finds, particularly notable were fresh discoveries of deep oil and gas reservoirs in the Marlim Leste field in the Campos Basin, based on a new exploratory model. These present exceptional opportunities for additional reserves of light sweet oil. Again in the E&P segment, the Company increased its exploration portfolio, successfully bidding for 96 blocks at the National Oil, Natural Gas and Biofuels Agency's (ANP) seventh bidding round. Of these blocks, Petrobras will be the operator in seventy.

Thus, contrary to what is the case with other major oil companies, increased production volumes have not meant a reduction in our proved oil reserves. We ended the year with a reserves replenishment ratio of 131.1% in Brazil, which means that for every barrel of oil produced during 2005 Petrobras incorporated 1.311 boe.

Besides the production development projects underway at the Company, the new finds and increases in areas with prospecting potential open up excellent perspectives for ensuring the sustainability of Brazilian self-sufficiency, allowing Petrobras to grow in a secure and profitable manner. In the oil and gas production area alone, some 40 new projects in different sedimentary basins are earmarked to be included in the Company's portfolio.

In the refining area in Brazil, work on refinery modernization continues apace, the objective being to increase the capacity for processing heavy crude and improving the quality of oil products. In addition, the Company placed the cornerstone for the first refinery dedicated exclusively to processing heavy crude oil in Brazil, located in the state of Pernambuco. The Company's strategic plan is budgeting investments of US\$ 8 billion in refinery modernization through 2010.

For the second consecutive year, Petrobras broke its own record for processing domestic feedstock. The Company's Brazilian refineries processed a daily average of 1,727 thousand barrels of oil, equivalent to 88% of installed capacity. The participation of domestic crude in refinery throughput was also a record, reaching 80%, with significant gains in

sales margins given the reduced need for imported light crude. We ended the year with a trade deficit of US\$ 130 million after netting our import costs against export revenues, versus a deficit of US\$ 3.2 billion in 2004, resulting in a US\$ 3.0 billion decrease in the foreign currency expenses with imports of oil and oil products.

Petrobras launched its Diesel 500 brand with a 75% lower sulfur content and destined for sale in the major Brazilian metropolitan centers further underlining the Company's position as a socially and environmentally responsible institution. Developed in its own refineries, this new diesel fuel from Petrobras will make a contribution to the improvement in air quality in the major urban centers.

In accordance with the strategy for its overseas business, Petrobras further expanded its international activities, particularly in the area of exploration and production. As part of these efforts, the company signed an offshore exploration agreement with Libya, obtained a further block each in Nigeria and Venezuela, and won the concession for an additional 53 blocks in the Gulf of Mexico (USA).

Following a memorandum of understanding with the Astra Oil Company early in 2006, approval was given for the acquisition of a 50% stake in the Pasadena Refining System Inc. refinery in the United States. In line with Company strategy, the acquisition will provide additional value-added to heavy crude oil produced in Brazil since Petrobras plans to introduce its technological know-how for processing heavy oil at this unit.

A joint venture agreement with a Japanese company created the Brazil-Japan Ethanol Co. Ltd, representing yet another step forward in the strategy for international growth aligned to social and environmental responsibility. The objective of this new project will be to import Brazilian ethanol for distribution to the Japanese market.

In the Gas and Energy area, Petrobras accelerated its growth strategy by approving capital expenditures of US\$ 6.5 billion through 2010 in this segment. The Company participated in the first new energy auction, ensuring a fixed revenue flow for 1,391 MW of thermo-electric capacity over a 15-year period. During the year and the early weeks of 2006, the Company concluded the acquisition of three merchant thermoelectric plants, which in addition to bolstering its position in the energy segment, eliminated contingency payments that the Company had been obliged to disburse under contracts signed in 2001 and 2002.

The investment grade classification awarded by Moody's to the Company, should bring Petrobras, among other benefits, a lower cost of capital, and expanded opportunities for the development of new projects, which will ensure over the medium to long term, better shareholder returns, making the Company ever more competitive.

Another reflection of performance in 2005 can also be gauged from the increase of trading in the Company's shares, Petrobras shares being the most negotiated on the São Paulo Stock Exchange - Bovespa during the year. Trading was further intensified following the stock split in September 2005, improving the accessibility of the shares to the small and medium-size investor. Market confidence in Petrobras was reflected in the increase of 54% in market capitalization in relation to 2004. On January 31 2006, another record was broken when the Company's valuation in the equity markets reached R\$ 218 billion. Business Week magazine, which ranks global companies according to market capitalization, classified Petrobras as the eighth most valuable company in the sector, as well as Latin America's most valuable.

Petrobras ended 2005 repeating the exceptional performance that has been a characteristic of past years, the result of integrated and collaborative management at all its segments of activity. One consequence of this is the high degree of operating reliability of all our business units throughout each segment. Over the next few years, the opportunities for of the Company's integrated growth can be measured by our capital expenditures, which are projected to grow in all areas of activity. Emphasis will be given to investments in exploration and production, to the development of the natural gas market, and to selective expansion in our international businesses.

At the dawn of a new era when Brazil is to reach sustainable self-sufficiency in oil, we wish to reaffirm our gratitude to all Petrobras employees as well as our expanded workforce that includes suppliers and service providers, all of whom have been adhering to our recommendations and insistence on improvements in quality, occupational safety, the protection of the environment and social responsibility.

PETROBRAS SYSTEM Financial Performance
Net Income and Consolidated Economic Indicators

PETROBRAS, its subsidiaries and controlled companies reported a net income of R\$ 23,725 million for 2005, 40% higher than the net income recorded in 2004.

| R\$ Million | | | | | | | |
|--|---------------------|---------------------|------|--|---------------------|---------------------|------|
| 3Q - 2005 ⁽¹⁾ | Fourth Quarter | | | | Fiscal Year | | |
| | 2005 ⁽¹⁾ | 2004 ⁽²⁾ | Δ% | | 2005 ⁽¹⁾ | 2004 ⁽²⁾ | Δ% |
| 46.555 | 50.066 | 39.225 | 28 | Gross Operating Revenue | 179.065 | 150.440 | 19 |
| 35.711 | 38.638 | 29.402 | 31 | Net Operating Revenue | 136.605 | 111.128 | 23 |
| 10.905 | 10.145 | 6.848 | 48 | Operating Profit ⁽³⁾ | 39.773 | 29.930 | 33 |
| (711) | (333) | (527) | (37) | Financial Result | (2.843) | (3.321) | (14) |
| 5.632 | 8.142 | 4.237 | 92 | Net Income | 23.725 | 16.887 | 40 |
| 1,28 | 1,86 | 0,97 | 92 | Net Income per Share ⁽⁴⁾ | 5,41 | 3,85 | 40 |
| 168.035 | 173.584 | 112.458 | 54 | Market Value (Holding) | 173.584 | 112.458 | 54 |
| 42 | 43 | 38 | 5 | Gross Margin (%) | 44 | 41 | 3 |
| 31 | 26 | 23 | 3 | Operating Margin (%) | 29 | 27 | 2 |
| 16 | 21 | 14 | 7 | Net Margin (%) | 17 | 15 | 2 |
| 12.763 | 12.416 | 8.858 | 40 | EBITDA R\$ million⁽⁵⁾ | 47.808 | 36.798 | 30 |
| Financial and Economic Indicators | | | | | | | |
| 61.53 | 56.90 | 44.00 | 29 | Brent (US\$/bbl) | 54,38 | 38,21 | 42 |
| US Dollar Average Price - Sale | | | | | | | |
| 2,3449 | 2,2507 | 2,7862 | (19) | (R\$) | 2,4350 | 2,9262 | (17) |
| 2,2222 | 2,3407 | 2,6544 | (12) | US Dollar Last Price - Sale (R\$) | 2,3407 | 2,6544 | (12) |

(1) From 01.01.2005, the Special Purpose Companies whose activities are directly or indirectly controlled by PETROBRAS were included in the Consolidated Financial Statements, as per CVM Instruction No. 408/2004.

(2) To facilitate comparison, the Special Purpose Companies were also included in the 3Q-2004 financial statements, and in the accumulated period January-September 2004.

(3) Income before financial revenues and expenses, equity income and taxes.

(4) For purposes of comparison, net income per share was recalculated for the prior periods, due to the stock split approved at the Extraordinary Shareholders Meeting on July 22, 2005.

(5) Operating income before the financial result and equity income + depreciation/amortization/well write-offs.

EBITDA COMPONENTS

| R\$ Million | | | | |
|-------------|----------------|------|-------------|------|
| 3Q-2005 | Fourth Quarter | | Fiscal Year | |
| | 2005 | 2004 | 2005 | 2004 |

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| | | | | | |
|---------------|---------------|--------------|---|---------------|---------------|
| 9.935 | 10.104 | 6.051 | Operating Income as per Brazilian Corporate Law | 36.680 | 26.464 |
| 711 | 333 | 527 | (-) Financial Result | 2.843 | 3.321 |
| 259 | (292) | 270 | (-) Equity Income Results | 250 | 145 |
| 10.905 | 10.145 | 6.848 | Operating Profit | 39.773 | 29.930 |
| 1.858 | 2.271 | 2.010 | Depreciation & Amortization | 8.035 | 6.868 |
| 12.763 | 12.416 | 8.858 | EBITDA | 47.808 | 36.798 |
| 36 | 32 | 30 | EBITDA Margin (%) | 35 | 33 |

Consolidated operating income for 2005 increased 40% due to the increase in prices and volumes sold in the domestic and international markets, the increase in the production of oil and NGL's in Brazil (13%), and the production and quality of oil products (2%), as detailed below:

- Gross profit increased R\$ 13,438 million:

| Main Items | R\$ Million | | |
|---|----------------|--------------------------|-----------------|
| | 2005 x 2004 | Cost of Goods Sold | Gross Profit |
| . Domestic Market: | | | |
| - Effect of Volumes Sold | 1.254 | (850) | 404 |
| - Effect of Prices | 13.040 | - | 13.040 |
| . Intl. Market: | | | |
| - Effect of Export Volumes | 4.103 | (1.761) | 2.342 |
| - Effect of Export Price | 3.226 | - | 3.226 |
| . Increase in expenses: | | | |
| - Oil, Gas and Oil Product Imports | - | (1.718) | (1.718) |
| - Third-Party Services | - | (832) | (832) |
| - Domestic Government Take | - | (2.425) | (2.425) |
| - Salaries, Perquisites and Benefits | - | (814) | (814) |
| - Materials, Services and Depreciation | - | (1.236) | (1.236) |
| . Increase in Profitability of Distribution Segment | 635 | - | 635 |
| . Increase (Decrease) in Operations of Commercialization Abroad | 805 | (784) | 21 |
| . Increase (Decrease) in International Sales | 2.183 | (1.385) | 798 |
| . FX Effect on Controlled Companies' Revenues and Costs Abroad | (1.654) | 1.211 | (443) |
| . Others | 1.885 | (1.445) | 440 |
| | 25.477 | (12.039) | 13.438 |

- Increase in Selling Expenses (R\$ 725 million) related to the greater volumes sold and the increase in freight costs resulting from the increased exports.
- Increase in the General and Administrative Expenses (R\$ 1,287 million), due to higher personnel, network maintenance and software licensing fees.
- Increase in expenses for healthcare and retirement plans, due to changes stemming from the proceedings set forth in the actuarial review of Dec/2004 (R\$ 690 million).
- Increase in drilling and exploration expenses (R\$ 561 million) due to an increase in the geological and geophysical activities, the capping of dry and/or non-commercial wells and the effect of provisioning for abandonment of the area.
- Increase in research and development expenses (R\$ 239 million) related to greater research activities and seismic data exploration contracts.

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- Increase in other operating expenses (R\$ 403 million), due mainly to institutional relations and cultural sponsorships (R\$ 221 million) and Net Losses in the Gas and Energy Business Segment.
- Decrease in tax expenses (R\$ 360 million), due to a change in tax laws in August/2004 (Decreto n° 5.164/04) that eliminated the PIS/PASEP and COFINS tax applicable to financial income.

- Positive effect from the net financial result of R\$ 478 million, which was a result of the following:
 - ◆ A decrease in net financial expenses of R\$ 691 million, as a result of the reduction in expenses from loans and financings caused by the 12% appreciation in the Brazilian real against the U.S. dollar during the year, and in spite of the increased Libor rate incurred on some of these loans and financings.
 - ◆ Negative exchange rate and monetary variation (R\$ 213 million), caused by a reduction in the exchange variations (R\$ 419 million), as a result of the appreciation of the Brazilian real against the U.S. dollar during the year (12%) compared to the appreciation in the previous year (8%), combined with that fact that the parent company has shifted from net debtor to net creditor with its its subsidiaries and other controlled companies.
 - Increase in the provisioning for income tax and social contribution over net income in the amount of R\$ 3,898 million, due to the increase in income before tax and despite having taken advantage of a higher fiscal benefit resulting from the provisioning for interest on own capital in 2005 (R\$ 5,483 million, which was higher than the R\$ 4,386 million taken in 2004).
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PETROBRAS SYSTEM **Operating Performance**

Physical Indicators

| 3Q-2005 | Fourth Quarter | | | | Fiscal Year | | |
|---|----------------|--------------|-----------|---|--------------|--------------|-----------|
| | 2005 | 2004 | Δ% | | 2005 | 2004 | Δ% |
| Exploration & Production - thousand bpd | | | | | | | |
| 1.889 | 1.892 | 1.680 | 13 | Oil and LNG production | 1.847 | 1.661 | 11 |
| 1.725 | 1.736 | 1.511 | 15 | Domestic | 1.684 | 1.493 | 13 |
| 164 | 156 | 169 | (8) | International | 163 | 168 | (3) |
| 368 | 365 | 360 | 1 | Natural Gas production (1) | 370 | 359 | 3 |
| 271 | 274 | 267 | 3 | Domestic | 274 | 265 | 3 |
| 97 | 91 | 93 | (2) | International | 96 | 94 | 2 |
| 2.257 | 2.257 | 2.040 | 11 | Total production | 2.217 | 2.020 | 10 |
| (1) Does not include liquified gas and includes reinjected gas | | | | | | | |
| Refining, Transport and Supply - thousand bpd | | | | | | | |
| 393 | 360 | 452 | (20) | Crude oil imports | 352 | 450 | (22) |
| 99 | 65 | 132 | (51) | Oil products imports | 94 | 109 | (14) |
| | | | | Import of crude oil and oil products | | | |
| 493 | 425 | 584 | (27) | | 446 | 559 | (20) |
| 249 | 301 | 137 | 119 | Crude oil exports | 263 | 181 | 46 |
| 246 | 250 | 193 | 30 | Oil products exports | 241 | 228 | 6 |
| | | | | Export of crude oil and oil products | | | |
| 495 | 551 | 330 | 67 | | 504 | 409 | 23 |
| 2 | 126 | (254) | - | Net exports (imports) crude oil and oil products | 58 | (150) | - |
| 149 | 154 | 126 | 22 | Import of gas and others | 141 | 124 | 14 |
| 17 | 13 | 10 | 33 | Others Exports | 13 | 6 | 109 |
| 1.907 | 1.868 | 1.833 | 2 | Output of oil products | 1.839 | 1.797 | 2 |
| 1.804 | 1.761 | 1.727 | 2 | Brazil | 1.735 | 1.696 | 2 |
| 103 | 107 | 106 | 1 | International | 104 | 101 | 3 |
| | | | | Primary Processed Installed Capacity | | | |
| 2.114 | 2.114 | 2.114 | - | Capacity | 2.114 | 2.114 | - |
| 1.985 | 1.985 | 1.985 | - | brazil (2) | 1.985 | 1.985 | - |
| 129 | 129 | 129 | - | International | 129 | 129 | - |
| | | | | Use of Installed Capacity (%) | | | |
| 91 | 91 | 89 | 2 | Brazil | 88 | 87 | 1 |
| 77 | 83 | 83 | - | International | 80 | 78 | 2 |

| | | | | | | | |
|----|----|----|---|---|----|----|---|
| 80 | 79 | 77 | 2 | Domestic crude as % of total feedstock processed | 80 | 76 | 4 |
|----|----|----|---|---|----|----|---|

(2) As per ownership recognized by the ANP.**Sales Volume - thousand bpd**

| | | | | | | | |
|--------------|--------------|--------------|------------|-----------------------------------|--------------|--------------|------------|
| 696 | 674 | 684 | (1) | Diesel | 665 | 656 | 1 |
| 290 | 289 | 287 | 1 | Gasoline | 287 | 275 | 4 |
| 103 | 98 | 100 | (2) | Fuel Oil | 99 | 108 | (8) |
| 164 | 153 | 154 | (1) | Naphtha | 157 | 157 | - |
| 227 | 217 | 209 | 4 | LPG | 213 | 210 | 1 |
| 78 | 79 | 75 | 4 | QAV | 78 | 74 | 5 |
| 173 | 138 | 182 | (24) | Others | 156 | 157 | (1) |
| 1.731 | 1.647 | 1.691 | (3) | Total Oil Products | 1.655 | 1.637 | 1 |
| 26 | 33 | 34 | (3) | Alcohol, Nitrogens and others | 28 | 32 | (13) |
| 236 | 239 | 227 | 5 | Natural Gas | 228 | 210 | 9 |
| 1.993 | 1.919 | 1.952 | (2) | Total domestic market | 1.911 | 1.879 | 2 |
| 509 | 560 | 341 | 64 | Exports | 512 | 416 | 23 |
| 413 | 375 | 386 | (3) | International Sales | 385 | 416 | (7) |
| 922 | 935 | 727 | 29 | Total international market | 897 | 832 | 8 |
| 2.915 | 2.854 | 2.679 | 7 | Total | 2.808 | 2.711 | 4 |

Prices and Costs Indicators

| 3Q-2005 | Fourth Quarter | | | | Fiscal Year | | |
|---|----------------|--------|-----|--|-------------|--------|----|
| | 2005 | 2004 | Δ% | | 2005 | 2004 | Δ% |
| Average Oil Products Realization Prices | | | | | | | |
| 142,21 | 161,11 | 131,30 | 23 | Domestic Market (R\$/bbl) | 143,16 | 119,05 | 20 |
| Average Sales price - US\$ per bbl | | | | | | | |
| Oil (US\$/bbl) | | | | | | | |
| 54,24 | 46,05 | 35,11 | 31 | Brazil (3) | 45,42 | 33,49 | 36 |
| 37,38 | 35,04 | 27,48 | 28 | International | 34,44 | 26,36 | 31 |
| Natural Gas (US\$/bbl) | | | | | | | |
| 13,09 | 14,61 | 12,81 | 14 | Brazil (4) | 13,00 | 11,56 | 12 |
| 10,13 | 11,71 | 7,43 | 58 | International | 9,77 | 6,96 | 40 |
| (3) Average of the exports and the internal transfer prices from E&P to Supply | | | | | | | |
| (4) Intenal transfer prices from E&P to Gas & Energy | | | | | | | |
| Cost - US\$/barril | | | | | | | |
| Lifting Cost: | | | | | | | |
| Brazil (5) | | | | | | | |
| without government participation | | | | | | | |
| 5,44 | 6,07 | 4,56 | 33 | with government participation | 5,73 | 4,28 | 34 |
| 15,08 | 15,96 | 12,30 | 30 | International | 14,65 | 10,72 | 37 |
| 2,78 | 3,57 | 2,90 | 23 | Refining cost | 2,90 | 2,60 | 12 |
| Brazil⁽⁵⁾ | | | | | | | |
| 1,86 | 2,03 | 1,63 | 25 | International | 1,90 | 1,38 | 38 |
| 1,41 | 1,35 | 1,09 | 24 | Corporate Overhead (US\$ million) Holding Company (5) | 1,30 | 1,09 | 19 |
| 402 | 490 | 300 | 63 | | 1.540 | 951 | 62 |
| Cost - R\$/barril | | | | | | | |
| Lifting Cost: | | | | | | | |
| Brazil⁽⁵⁾ | | | | | | | |
| without government participation | | | | | | | |
| 12,57 | 13,73 | 12,56 | 9 | with government participation | 13,83 | 12,30 | 12 |
| 35,84 | 36,24 | 34,54 | 5 | Refining cost | 35,20 | 31,17 | 13 |
| Brazil⁽⁵⁾ | | | | | | | |
| 4,31 | 4,56 | 4,67 | (2) | | 4,59 | 3,98 | 15 |

(5) The company, in order to promote a better indexes adherence to its operating and management models, has reviewed their concepts, recalculating the values of previous periods.

Exploration and Production - Thousand Barrels/Day

Domestic production of oil and NGL's increased 13% in 2005 over 2004, due to the start-up of operations at FPSO-MLS in Marlim Sul (June/2004) and platforms P-43 in Barracuda and P-48 in Caratinga (December/2004 and February/2005, respectively).

Domestic production of oil and NGL's in 2005-4Q was kept relatively steady, with an increase of 1% when compared with production levels for 2005-3Q.

International oil production declined 3% against 2004 due to the natural decline in some fields in Angola and Argentina. Gas production increased 2% due to production increases in the Bolivian unit coming from increases gas demand from Brazil and Argentina.

International production of oil for 2005-4Q declined 5% when compared with 2005-3Q due to maintenance stoppages at production facilities in Angola and the work interruption caused by the 10-day strike in Argentina in October 2005. Gas production was also reduced by 6% compared with the third quarter by the Argentine strike.

Refining, Transportation and Supply - Thousand Barrels/Day

The quantity of crude oil feedstock processed by the domestic refineries in 2005 increased 1% when compared with the previous year. Compared with 2005-3Q, the feedstock processed during 2005-4Q decreased 1% due primarily to the maintenance work to the facilities and operating problems with some of the production equipment.

The quantity of feedstock processed (primary processing) by overseas refineries increased 2% in 2005 when compared with 2004, in order to meet higher demand in the Bolivian market and also because of the export of special gasoline and reconstituted oil.

For 2005-4Q, feedstock processed by the overseas refineries increased 8% over 2005-3Q, following the return to normal operations of refineries in Bolivia and Argentina for maintenance stoppages.

Costs

Lifting Cost (US\$/barrel)

Lifting costs in Brazil, excluding government take increased 34% in 2005 as compared with 2004. After discounting the effect of a 17% appreciation in the Brazilian real against the U.S. dollar, in association with the percent of expenses in national currency over the costs for this activity, the lifting cost increased 10% over 2004 primarily as a consequence of higher chartering fees for rigs linked to the increases in the international price of oil, as well as higher expenses for transportation, underwater operations, restoration and maintenance, and chemicals used to unlock and eliminate toxic gases, increased salaries and benefits resulting from the collective labor agreements for 2004/2005 and 2005/2006, increases in the workforce, and the actuarial review performed at the end of 2004 that prompted an increase to the provisions for future health care and pension benefits.

The 12% increase in lifting costs in Brazil, excluding government take, for 2005-4Q, when compared with 2005-3Q, is due primarily to higher expenses with well interventions and specialized technical services for restoration and equipment maintenance, as well as third party charters. After discounting the effects of the 4% appreciation in the average exchange rate of the Real against the U.S. dollar, lifting costs were up 7% versus 3Q-2005.

Lifting costs in Brazil for 2005, including government take, increased 37% in relation to 2004, in response to the generalized increases in operating expenses, mentioned above, as well as higher special participation tax resulting from the higher average reference price for domestic oil, based in international market quotations, besides the 17%

Real appreciation against the US dollar. The inclusion of P-43 and P-48 in the basis used to calculate the special participation as of 2005 also contributed to the total increase in government participation through the special participation tax.

Brazilian lifting costs in 2005-Q4, taking into account government participation, increased 6% over 2005-Q3 as a result of the previously mentioned lifting cost increase, and government participation (3%), mainly in the Marlim Field, caused by the higher reference price levels for domestic oil.

The international lifting cost increased 12% in 2005 in relation to 2004 due to greater third party expenses, personnel and equipment maintenance costs in the Argentine operation.

In 2005-Q4, the international lifting cost increased 28% in relation to 2005-Q3 due to greater maintenance services and equipment expenses in the Bolivian unit and personnel expenses in Argentina.

Refining Cost (US\$/Barrel)

Domestic unit refining costs in 2005 increased 38% in relation to 2004 due primarily to higher personnel expenses associated with increased salaries and benefits, an increase in the number of workers, and, a revision in the actuarial calculations at the end of 2004 related to future healthcare and pension benefits. Refining costs were also adversely influenced by higher expenditures for scheduled refinery stoppages. Discounting the effects of the 17% appreciation in the Brazilian real versus the U.S. dollar to domestically incurred expenses denominated in the local currency, the unit refining costs increased 17% in relation to 2004.

The domestic unit refining cost in 2005-Q4 increased 9% compared to 2005-Q3, primarily as a result of the higher personnel expenses and the scheduled shutdowns at RLAM. Discounting the effects of the currency appreciation of 4% in the quarter, the unit refining cost increased 5%.

The average international unit refining cost increased 19% in 2005 in relation to 2004 due to expenses incurred for the scheduled shutdowns at the Bolivian and Argentine refineries.

The average unit cost of international refining in 2005-Q4 was 4% lower than in 2005-Q3 due to a reduction in electric power and personnel expenses in the Bolivian operations.

Corporate Overhead Parent Company (US\$ million)

Corporate overhead increased 62% in 2005 due to higher expenses linked to sponsorships, publicity and advertising, data processing, safety measures, and maintenance expenses at the administrative buildings. Increased salary and benefit expenses resulting from the Collective Labor Agreements for 2004/2005 and 2005/2006, and the revision to actuarial calculations used for healthcare and pension provisions also contributed to the increase. Discounting the effects of the 17% appreciation in the real against the U.S. dollar, given that all overhead expenses are in Reais, overhead increased 35% in relation to 2004.

Compared to Q3-2005, corporate overhead for Q4-2005 increased 22%, due, principally, to greater expenses for services contracted for sponsorships, publicity and advertising, safety, environment, health and data processing. Discounting the effects of the Real's appreciation, (4%), for total overall expenses in Reals, there was a 15% increase.

Sales Volume Thousand Barrels/day

Total domestic sales volumes increased 2% in 2005, compared to 2004. Of particular note was the increase in gasoline sales (4%) resulting from increases in the number of urban vehicles and in the natural gas fleet (9%), greater industrial consumption and a rise in the number of vehicle conversions. The increased sales of these products was partially offset by a reduction in the sales of Fuel Oil (8%) as a result of the strong competition from substitute products such as coal, coke, biomass, wood and natural gas. Diesel consumption remained relatively stable in relation to 2004, because increased use in agriculture was partially offset by reduced demand in other segments from price increases.

| Result by Business Area R\$ million ⁽¹⁾ | | | | | | | |
|---|-----------------------|----------------|-----------|-------------------------------------|--------------------|----------------|-----------|
| 3Q-2005 | Fourth Quarter | | | | Fiscal Year | | |
| | 2005 | 2004 | Δ% | | 2005 | 2004 | Δ% |
| | | | | EXPLORATION & | | | |
| 7.348 | 4.960 | 4.506 | 10 | PRODUCTION | 22.699 | 18.083 | 26 |
| 784 | 1.272 | 838 | 52 | SUPPLY | 5.556 | 2.553 | 118 |
| (42) | (476) | (93) | 412 | GAS & ENERGY | (624) | (517) | 21 |
| 205 | 296 | 267 | 11 | DISTRIBUTION ⁽³⁾ | 784 | 623 | 26 |
| 1 | 47 | 119 | (61) | INTERNATIONAL ⁽²⁾ | 567 | 347 | 63 |
| (2.014) | 948 | (1.305) | (173) | CORPORATE | (4.096) | (3.677) | 11 |
| | | | | ELIMINATIONS AND | | | |
| (650) | 1.095 | (95) | (1.253) | ADJUSTMENTS | (1.161) | (525) | 121 |
| | | | | CONSOLIDATED NET | | | |
| 5.632 | 8.142 | 4.237 | 92 | INCOME | 23.725 | 16.887 | 40 |

(1) Financial statements by business area and their respective comments are presented starting on page 25.

(2) In the international business unit, the ability to make comparisons between the periods is influenced by changes in the exchange rate, keeping in mind that all operations are executed abroad, in dollars or in other currencies of those countries where each firm is headquartered, there may be significant variations in Reais, principally arising from and reflecting changes in the exchange rate.

(3) In the Distribution business area, comparability between the periods is affected by the business of LIQUIGÁS, acquired by Petrobras Distribuidora - BR on August 9, 2004, and included in the consolidation of the PETROBRAS System as of August 2004.

RESULT BY BUSINESS AREA

PETROBRAS is a company that operates in an integrated manner, with the greatest part of oil and gas production in the Exploration & Production area being transferred to other areas of the Company.

The main criteria used to report results by business area are highlighted below:

- a) Net operating revenues: the revenues related to sales made to external clients were considered, plus the billing and transfers between business areas, using the internal transfer prices defined between the areas as a reference, with methodology based on market parameters..
- b) Included in the computation of operating income are: net operating revenues, the costs of goods and services sold, which are reported by each business area considering the internal transfer price and the other operating costs of each area, as well as operating expenses in which the expenses effectively incurred in each area are considered.
- c) Assets: includes the assets identified in each area.

E&P - In 2005, operating profits for the Exploration and Production unit were R\$ 22.699 million, 26% higher than the operating income reported in 2004 (R\$ 18.083 million), due to the R\$ 8.401 million increase in gross profits from petroleum sales and transfers, reflecting the increase in international prices as well as the 13% rise in petroleum and NGL production, and the 3% rise in natural gas production, despite a 17% appreciation in the average exchange rate of the Real against the U.S. dollar and the lesser increase in the value of heavy petroleum in the international market compared to lighter petroleum.

The spread between the average price of sold/transferred domestic petroleum and the average Brent price increased from US\$ 4.72/bbl in 2004 to US\$ 8.96/bbl in 2005.

Part of the increase in gross profit was offset by a rise of R\$ 731 million in expenses for prospecting and drilling due to the abandonment of dry wells and/or subcommercial wells, as well as the updating of provision for abandonment of the area.

In 2005-Q4 operating profit attributable to the Exploration and Production business unit was R\$ 4.960 million, 32% less than the cash profit accounted for in the previous quarter (R\$ 7.348 million). This was due to a reduction of R\$ 3.208 million in gross profit, reflecting the decrease in international petroleum prices, a 1% reduction in natural gas production, a 4% appreciation in the average exchange rate of the Real against the U.S. dollar and the lower increase

in value of heavy petroleum in the international market compared to lighter petroleum, despite a 1% increase in petroleum and NGL production.

The spread between the average price for sold/transferred domestic petroleum and the average Brent price increased from US\$ 7.29/bbl in 2005-Q3 to US\$ 10.85/bbl in 2005-Q4.

Also contributing to the decrease in operating profit was a R\$ 754 million increase in expenses for prospecting and drilling due to the drop in dry wells and/or subcommercial wells, aside from the updating of provisions for abandonment of the area.

SUPPLY In 2005, net income for the Supply segment was R\$ 5.556 million, 118% higher than net income recorded in 2004 (R\$ 2.553 million), reflecting the R\$ 4.859 million increase in gross profit, as highlighted by the following factors:

- Rise in average production value of derivatives sold in domestic and foreign markets;
- Improvement in the refineries' production profile, decreasing the need to import oil products with a greater added value;
- Increase of 4% in holdings of national oil in the loads processed by the refineries;
- Increase of 2% in production of oil products.

Part of these effects was offset by the following:

- Increase in the purchase and transfer price for petroleum and oil products, pressured by the increase in international prices, despite the 17% appreciation in the average exchange rate of the Real against the U.S. dollar and the rise in the spread between heavy and light petroleum;
- Rise in refining costs, principally due to the increase in the complexity of the refinery pool.

In 2005-4Q, net income accounted for by the Supply segment was R\$ 1.272 million, 62% higher than the net income accounted for in the preceding quarter (R\$ 784 million), due to an increase of R\$1.458 million in gross profit, impacted by the following factors:

- Rise in average production value of products sold in domestic markets;
- Decrease of 43% in the volume of imports of oil products and 7% in the volume of petroleum imports;
- Decrease in the purchase and transfer price for petroleum, reflecting the fall in international prices and the increase in the spread between heavy and light petroleum.

Part of these effects were offset by a 4% decrease in the sales volumes of oil products in the domestic market. .

GAS AND ENERGY In 2005 results for sales of energy showed improvement, bolstered by the signing of new contracts. Operating income for natural gas sales continued to be positive. This takes into consideration the 9% increase in sales volume and the sales price realignment process for natural gas, despite the higher operating expenses.

Increased revenues were not enough to offset losses in energy generation, as a result of continued low prices for thermo-electric capacity as well as the costs incurred in 2005 to renegotiate existing contracts and making up for thermo-plant short fall in the Northeast.

Together, these factors resulted in the Gas and Energy segment reporting a loss of R\$ 624 million in 2005, but 21% higher than the R\$ 517 million loss incurred in the previous year.

Excluding the extraordinary expenses, Gas and Energy segment would reach in 2005 a R\$ 38 million operating profit (R\$108 million operating profit in 2004).

In the 2005-4Q the Gas and Energy segment posted a loss of R\$ 476 million, compared with a loss of R\$ 42 million in the previous quarter, due to the impact on indebtedness of the devaluation of the real in relation to the U.S. dollar, as well as to expenses realized in the quarter and the negotiation of contractual deferred charges and to the acquisition of thermoelectric plants and making up for thermo-plant short fall in the Northeast.

DISTRIBUTION In 2005, the Distribution business posted a net income of R\$ 784 million, 26% above the net income posted for 2004 (R\$ 623 million), due to an increase of R\$ 636 million in gross profit, largely from the consolidation of Liquigás (purchased in August 2004), which had a positive impact on the volumes sold, 10% greater than in 2004.

These effects were partially offset by an increase of R\$ 226 million in operating expenses, particularly the increase in commercial and distribution expenses for products and for personnel.

The market share of distribution of fuels in 2005 was 33.8% (552 thousand bbl/day), including the company Liquigás, whereas in 2004 it was 31.6% (500 thousand bbl/day).

In 2005, Liquigás contributed gross and net incomes of R\$ 548 million and R\$ 111 million, respectively. From August to December 2004, the contribution of Liquigás to gross and net incomes of R\$ 319 million and R\$ 155 million, respectively.

In relation to the previous quarter, when the net income posted in the area of Distribution was R\$ 205 million, the net income in the 2005-Q4 was 44% greater, due to a reduction of R\$ 36 million in operating expenses.

The market share for distribution of fuels was 33.8% in the 2005-Q4 (561 thousand bbl/day), including the company Liquigás, and was 33.6% in the 2005-Q3 (568 thousand bbl/day).

INTERNATIONAL In 2005, the International business posted a net income equivalent to R\$ 567 million, 63% greater than the equivalent net income of R\$ 347 posted in 2004.

This increase in net income was due principally to the following factors:

- Increase of R\$ 355 million in gross profit, due to the increase in the international price of oil, the increase in the sale of gas from Bolivia to Brazil, and the contract for the sale of Bolivian gas to Argentina, which entered into effect in June 2004. These effects were partially offset by the following factors: i) declining production in mature fields in Argentina and Angola; ii) rise in production costs in Bolivia due to the increase of the tax on hydrocarbons from 18% to 50% beginning in May 2005; iii) lower margins on the sale of diesel and gasoline in Argentina due to the restrictions imposed by the government on retail prices; and iv) the 12% increase in the real in relation to the U.S. dollar during the process of conversion of the financial statements.
- Increase in earnings from interests in other companies, in the amount of R\$ 79 million, due principally to the improved results of interest in companies associated with PEPESA, highlighted by the electric energy sector in Argentina.

These effects were partially offset by the increase in operating expenses, in the amount of R\$ 106 million, due to reduction of tax credits in Ecuador, and to the increase in general and administrative expenses.

In 2005-Q4, the International business posted a net income equivalent to R\$ 47 million, in comparison to the equivalent net income of R\$ 1 million posted in the previous quarter.

This increase in net income was due principally to the following factors:

- Increase of R\$ 253 million in the gross profit due to the effect of the devaluation of the Real in relation to the U.S. dollar in the currency conversion of the financial statements; and
- Reduction of R\$ 141 million in income tax expenses, due principally to the recovery of tax credits in Argentina

This increase was partially offset by the increase in operating expenses, in the amount of R\$ 152 million, highlighted by the abandonment of dry and/or sub-commercial wells and expenses with geological studies.

CORPORATE The corporate activities of the PETROBRAS System produced a loss of R\$4,096 million in 2005, 11% above the loss posted for 2004 (R\$ 3,677 million), highlighted by greater spending on personnel, advertising, publicity, and with the change to the assumptions in the actuarial revision of the Health Plans (Supplementary Medical Assistance) and Retirement (Petros), regarding retired persons and pensioners.

A part of these effects were offset by a decrease of R\$ 767 million in the net financial result, concerning loans and financing, principally as a result of the rise of the real in relation to the U.S. dollar in 2005 (12%), when compared with the previous year (8%).

In 2005-Q4 a net income of R\$ 948 million was posted in comparison with the loss in the previous quarter of R\$ 2,014 million, highlighted by the gains obtained from assets exposed to exchange variation (R\$ 2,651 million), as a result of the 5% devaluation of the real in relation to the U.S. dollar.

Consolidated Debt

| | R\$ Million | | |
|--|--------------------|-------------------|-----------|
| | 12.31.2005 | 12.31.2004 | Δ% |
| Short-term Debt ⁽¹⁾ | 11.116 | 9.575 | 16 |
| Long-term Debt ⁽¹⁾ | 37.126 | 46.228 | (20) |
| Total | 48.242 | 55.803 | (14) |
| Net Debt ⁽²⁾ | 24.825 | 35.816 | (31) |
| Net Debt/(Net Debt + Shareholder's Equity) ⁽¹⁾ | 24% | 32% | (8) |
| Total Net Liabilities ⁽¹⁾ (3) | 163.404 | 148.701 | 10 |
| Capital Structure | | | |
| (Third Parties Net / Total Liabilities Net) | 52% | 58% | (6) |

(1) Includes debt assumed through leasing contracts (R\$ 3,300 million on 12.31.2005 and R\$ 4,021 million on 12.31.2004).

(2) Total Debt Net available.

(3) Net total liabilities of cash/financial applications.

Net Debt of PETROBRAS System on 12.31.2005 totaled R\$ 24,825 million, a reduction of 31% in relation to 12.31.2004. The increase of the Brazilian real in relation to the U.S. dollar has contributed to the reduction of the debt. The reduction in net debt caused an improvement in our leverage as measured by Net Debt/EDITDA, which fell from 0.97 on 12.31.2004 to 0.52 on 12.31.2005. Debt/Equity is now at 52% as of 12.31.2005, a reduction of 6 percentage points in comparison with 12.31.2004.

Consolidated Investments

| R\$ Million | | | | | |
|---|---------------|------------|------------------|------------|-------------|
| | 2005 | | Fiscal Year 2004 | | Δ% |
| | 2005 | % | 2004 | % | |
| Own Investments | 22.927 | 90 | 21.151 | 93 | 8 |
| Exploration & Production | 13.934 | 54 | 12.441 | 55 | 12 |
| Supply | 3.286 | 13 | 3.907 | 17 | (16) |
| Gas and Energy | 1.527 | 6 | 625 | 3 | 144 |
| International | 3.153 | 12 | 2.331 | 10 | 35 |
| Distribution | 495 | 2 | 1.223 | 5 | (60) |
| Corporate | 532 | 3 | 624 | 3 | (15) |
| Special Purpose Companies (SPCs) | 2.385 | 9 | 775 | 4 | 208 |
| Ventures under Negotiation | 311 | 1 | 454 | 2 | (31) |
| Structured Projects | 87 | - | 169 | 1 | (49) |
| Exploration & Production | 87 | - | 169 | 1 | (49) |
| Espadarte/Marimbá/Voador | 52 | - | 32 | - | 63 |
| Cabiúnas | - | - | 45 | - | - |
| Marlim / Nova Marlim | - | - | 17 | - | - |
| PCGC | 35 | - | 75 | 1 | (53) |
| Total Investments | 25.710 | 100 | 22.549 | 100 | 14 |

| R\$ Million | | | | | |
|--------------------------|--------------|------------|------------------|------------|-----------|
| | 2005 | | Fiscal Year 2004 | | Δ% |
| | 2005 | % | 2004 | % | |
| International | | | | | |
| Exploration & Production | 2.758 | 87 | 2.017 | 87 | 37 |
| Supply | 212 | 7 | 41 | 2 | 417 |
| Gas and Energy | 79 | 3 | 98 | 4 | (19) |
| Distribution | 38 | 1 | 39 | 1 | (3) |
| Others | 66 | 2 | 136 | 6 | (51) |
| Total Investments | 3.153 | 100 | 2.331 | 100 | 35 |

| R\$ Million | | | | | |
|-----------------------------------|------|----|------------------|----|------|
| | 2005 | | Fiscal Year 2004 | | Δ% |
| | 2005 | % | 2004 | % | |
| Projects Developed by SPCs | | | | | |
| Marlim Leste | 789 | 33 | - | - | - |
| PDET Off Shore | 231 | 10 | - | - | - |
| Barracuda & Caratinga | 288 | 12 | 597 | 77 | (52) |
| Malhas | 834 | 35 | 153 | 20 | 445 |
| Cabiúnas | 5 | - | 25 | 3 | (80) |

| | | | | | |
|--------------------------|--------------|------------|------------|------------|------------|
| Amazônia | 238 | 10 | - | - | - |
| Total Investments | 2.385 | 100 | 775 | 100 | 208 |

In line with its strategic objectives, PETROBRAS acts in consortium with other companies as a concessionaire of exploration, development, and production rights for petroleum and natural gas. Currently, the Company has partnerships in 104 blocks, through 62 consortia. Total investment on the order of US\$ 8,547 million are forecast for these ventures.

PETROBRAS, in fulfillment of the goals outlined in its strategic plan, continues to give priority to investment in the development of its capacity to produce petroleum and natural gas, through its own investments and the structuring of ventures with partners. In 2005, total investments attained R\$ 25,710 million, which represented an increase of 14% in relation to the resources applied in 2004.

PETROBRAS SYSTEM

Financial Statements

Income Statement Consolidated

| R\$ Million | | | | | |
|------------------------|---------------------|---------------------|---|---------------------|---------------------|
| Fourth Quarter | | | Fiscal Year | | |
| 3Q-2005 ⁽¹⁾ | 2005 ⁽¹⁾ | 2004 ⁽²⁾ | | 2005 ⁽¹⁾ | 2004 ⁽²⁾ |
| 46.555 | 50.066 | 39.225 | Gross Operating Revenues | 179.065 | 150.440 |
| (10.844) | (11.428) | (9.823) | Sales Deductions | (42.460) | (39.312) |
| 35.711 | 38.638 | 29.402 | Net Operating Revenues | 136.605 | 111.128 |
| (20.589) | (22.030) | (18.123) | Cost of Goods Sold | (77.108) | (65.069) |
| 15.122 | 16.608 | 11.279 | Gross Profit | 59.497 | 46.059 |
| | | | Operating Expenses | | |
| (1.247) | (1.709) | (1.287) | Sales | (5.477) | (4.752) |
| (1.302) | (1.660) | (1.174) | General & Administrative | (5.431) | (4.144) |
| (386) | (1.275) | (408) | Exploratory Costs | (2.245) | (1.684) |
| - | (104) | (54) | Losses on recovery of assets | (104) | (54) |
| (248) | (271) | (187) | Research & Development | (935) | (696) |
| (202) | (275) | (229) | Taxes | (895) | (1.255) |
| (584) | (456) | (360) | Health and Pension Plans | (2.011) | (1.321) |
| (248) | (713) | (732) | Other | (2.626) | (2.223) |
| (4.217) | (6.463) | (4.431) | | (19.724) | (16.129) |
| | | | Net Financial Expenses | | |
| (132) | 1.289 | (86) | Income | 1.351 | 1.276 |
| (827) | (1.322) | (1.126) | Expenses | (4.564) | (5.180) |
| (593) | 1.057 | (267) | Monetary & FX Correction - Assets | (1.112) | 185 |
| 841 | (1.357) | 952 | Monetary & FX Correction - Liabilities | 1.482 | 398 |
| (711) | (333) | (527) | | (2.843) | (3.321) |
| (4.928) | (6.796) | (4.958) | | (22.567) | (19.450) |
| (259) | 292 | (270) | Gains from Investments in Subsidiaries | (250) | (145) |
| 9.935 | 10.104 | 6.051 | Operating Profit | 36.680 | 26.464 |
| 14 | 68 | (92) | Non-operating Income (Expenses) | (124) | (207) |
| (3.485) | (2.442) | (1.143) | Income Tax & Social Contribution | (10.802) | (6.904) |
| (558) | 763 | (448) | Minority Interest | (1.023) | (1.683) |
| (274) | (351) | (131) | Employee Profit Sharing Plan | (1.006) | (783) |
| 5.632 | 8.142 | 4.237 | Net Income | 23.725 | 16.887 |

(1)

- Beginning on 01.01.2005, the Special Purpose Entities, whose activities are directly or indirectly controlled by PETROBRAS, were included in the Consolidated Financial Statements, as per CVM Instruction No. 408/2004.
- (2) To facilitate comparability, the Special Purpose Entities were also included in the financial statements of 2004-Q4 and of 2004.

Some values related to prior periods were reclassified for the purpose of aligning the financial statements to the current period, thus facilitating comparability.

Balance Sheet - Consolidated

| Assets | R\$ Million | | |
|--|---------------------|---------------------|---------------------|
| | Dec 31, 2005 | Sep 30, 2005 | Dec 31, 2004 |
| Current Assets | 60.235 | 55.612 | 52.786 |
| Cash and Cash Equivalents | 23.417 | 21.210 | 19.987 |
| Accounts Receivable | 13.029 | 11.779 | 10.909 |
| Inventories | 13.607 | 14.655 | 14.264 |
| Taxes Recoverable | 4.956 | 4.577 | 3.901 |
| Other | 5.226 | 3.391 | 3.725 |
| Long-Term Assets | 14.102 | 14.676 | 14.908 |
| Petroleum & Alcohol Account | 770 | 765 | 749 |
| Advances to Suppliers | 684 | 661 | 959 |
| Marketable Securities | 618 | 739 | 859 |
| Deferred Taxes and Social Contribution | 4.292 | 3.932 | 3.486 |
| Advance for Pension Plan Migration | 1.205 | 1.203 | 1.218 |
| Prepaid Expenses | 1.363 | 1.465 | 1.513 |
| Accounts Receivable | 1.588 | 1.341 | 1.915 |
| Deposits - Legal Matters | 1.818 | 2.093 | 1.815 |
| Taxes Recoverable | 45 | 265 | 662 |
| Other | 1.719 | 2.212 | 1.732 |
| Fixed Assets | 109.184 | 101.872 | 96.972 |
| Investments | 2.281 | 1.975 | 2.079 |
| Property, Plant & Equipment | 105.429 | 98.735 | 93.323 |
| Deferred | 1.474 | 1.162 | 1.570 |
| Total Assets | 183.521 | 172.160 | 164.666 |

| Liabilities | R\$ Million | | |
|---------------------------------------|---------------------|---------------------|---------------------|
| | Dec 31, 2005 | Sep 30, 2005 | Dec 31, 2004 |
| Current Liabilities | 42.360 | 35.076 | 36.726 |
| Short-term Debt | 10.503 | 8.391 | 8.805 |
| Suppliers | 9.207 | 9.839 | 9.268 |
| Taxes and Social Contribution Payable | 8.931 | 8.867 | 7.854 |
| Project Finance and Joint Ventures | 28 | 855 | 64 |
| Pension Fund Obligations | 483 | 396 | 441 |
| Dividends | 7.166 | 2.277 | 5.141 |
| Payroll | 1.196 | 1.312 | 874 |
| Other | 4.846 | 3.139 | 4.279 |
| Long-Term Liabilities | 55.714 | 54.893 | 60.497 |

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| | | | |
|--|----------------|----------------|----------------|
| Long-term Debt | 34.439 | 36.042 | 42.977 |
| Pension Fund Obligations | 1.938 | 1.702 | 696 |
| Health Care Benefits | 7.031 | 6.736 | 5.674 |
| Deferred Taxes and Social Contribution | 8.462 | 7.407 | 7.474 |
| Other | 3.844 | 3.006 | 3.676 |
| Provision for Future Earnings | 483 | 544 | 502 |
| Minority Interest | 6.179 | 5.895 | 4.811 |
| Shareholders Equity | 78.785 | 75.752 | 62.130 |
| Corporate Capital | 33.235 | 33.235 | 33.235 |
| Reserves | 21.825 | 26.934 | 12.008 |
| Net Income | 23.725 | 15.583 | 16.887 |
| Total Liabilities | 183.521 | 172.160 | 164.666 |

As of 1.1.2005, the Special Purpose Entities, whose activities are directly or indirectly controlled by PETROBRAS, were included in the Consolidated Financial Statements, as per CVM Instruction No. 408/2004.

To facilitate comparability, the Special Purpose Entities were also included in the financial statements of 2004-Q4 and of 2004.

Some values related to prior periods were reclassified for the purpose of aligning the financial statements to the current period, thus facilitating comparability.

Statement of Cash Flow - Consolidated

| R\$ Million | | | | | |
|------------------------|---------------------|---------------------|---|---------------------|---------------------|
| Fourth Quarter | | | Fiscal Year | | |
| 3Q-2005 ⁽¹⁾ | 2005 ⁽¹⁾ | 2004 ⁽²⁾ | | 2005 ⁽¹⁾ | 2004 ⁽²⁾ |
| 5.632 | 8.142 | 4.237 | Net Income (Loss) | 23.725 | 16.887 |
| 5.483 | 372 | 1.221 | (+) Adjustments | 12.869 | 6.266 |
| 1.858 | 2.271 | 2.010 | Depreciation & Amortization | 8.035 | 6.868 |
| (231) | 1.722 | (2.309) | Charges on Financing and Related Companies | (1.477) | (39) |
| 558 | (763) | 448 | Minority Interest | 1.023 | 1.683 |
| 259 | (292) | 270 | Result of Participation in Material Investments | 250 | 145 |
| 1.813 | (1.778) | 1.546 | Exchange Rate Variations of Fixed Assets | 4.000 | 1.774 |
| 152 | (265) | (546) | Deferred Income Tax and Social Contribution | 890 | 974 |
| (448) | 1.210 | 66 | Inventory Variation | 657 | (4.129) |
| 1.549 | (947) | (3.353) | Supplier Variations | (484) | (255) |
| (27) | (786) | 3.089 | Other Adjustments | (25) | (755) |
| 11.115 | 8.514 | 5.458 | (=) Net Cash Generated by Operating Activities | 36.594 | 23.153 |
| 4.323 | 7.025 | 8.400 | (-) Cash used for Capital Expenditures | 22.409 | 22.707 |
| 3.788 | 4.713 | 6.053 | Investment in E&P | 15.445 | 14.970 |
| 774 | 1.061 | 1.364 | Investment in Refining & Transport | 3.445 | 4.893 |
| 769 | 262 | 21 | Investment in Gas and Energy | 1.732 | 921 |
| 133 | 144 | 733 | Distribution | 528 | 994 |
| (30) | (59) | (79) | Dividends | (130) | (134) |
| (1.111) | 904 | 308 | Other investments | 1.389 | 1.063 |
| 6.792 | 1.489 | (2.942) | (=) Free Cash Flow | 14.185 | 446 |
| 2.777 | (718) | (2.450) | (-) Cash used in Financing Activities | 10.755 | 8.036 |
| 2.564 | (768) | (2.457) | Financing | 5.604 | 2.566 |
| 213 | 50 | 7 | Dividends | 5.151 | 5.470 |
| 4.015 | 2.207 | (492) | (=) Net Cash Generated in the Period | 3.430 | (7.590) |
| 17.195 | 21.210 | 20.479 | Cash at the Beginning of Period | 19.987 | 27.577 |
| 21.210 | 23.417 | 19.987 | Cash at the End of Period | 23.417 | 19.987 |

(1) As of 1.1.2005, the Special Purpose Entities, whose activities are directly or indirectly controlled by PETROBRAS, were included in the Consolidated Financial Statements, as per CVM Instruction No. 408/2004.

(2) To facilitate comparability, the Special Purpose Entities were also included in the financial statements of 2004-Q4 and of 2004.

Some values related to prior periods were reclassified for the purpose of aligning the financial statements to the current period, thus facilitating comparability.

Statement of Value Added Consolidated

| Description | R\$ Million | |
|--|--------------------|-----------------|
| | Fiscal Year | |
| | 2005 (1) | 2004 (2) |
| Sales of Products and Services and Non-Operating Revenues | 179.391 | 150.638 |
| Raw Materials Used | (4.004) | (4.823) |
| Products for Resale | (29.035) | (30.177) |
| Materials, Energy, Services & Others | (23.594) | (14.642) |
| Added Value Generated | 122.758 | 100.996 |
| Depreciation & Amortization | (8.035) | (6.868) |
| Participation in Related Companies, Goodwill & Negative Goodwill | (250) | (145) |
| Financial Result | 239 | 1.045 |
| Rent and Royalties | 599 | 376 |
| Total Distributable Added Value | 115.311 | 95.404 |
| Distribution of Added Value | | |
| Personnel | | |
| Salaries, Benefits and Charges | 9.643 | 7.516 |
| | 9.643 | 7.516 |
| Government Entities | | |
| Taxes, Fees and Contributions | 49.336 | 44.688 |
| Government Take | 14.474 | 11.327 |
| | 63.810 | 56.015 |
| Financial Institutions and Suppliers | | |
| Financial Expenses, Interest, Rent & Freight | 17.110 | 13.303 |
| Shareholders | | |
| Dividends / Interest on Own Capital | 7.051 | 5.044 |
| Retained Earnings | 16.674 | 11.843 |
| | 23.725 | 16.887 |
| Minority Interest | 1.023 | 1.683 |
| | 24.748 | 18.570 |

(1) As of 1.1.2005, the Special Purpose Entities, whose activities are directly or indirectly controlled by PETROBRAS, were included in the Consolidated Financial Statements, as per CVM Instruction No. 408/2004.

(2) To facilitate comparability, the Special Purpose Entities were also included in the financial statements of 2004-Q4 and of 2004.

Some values related to prior periods were reclassified for the purpose of aligning the financial statements to the current period, thus facilitating comparability.

Consolidated Result by Business Area - December 31, 2005

| R\$ MILLION | | | | | | | | |
|--|----------------|----------------|--------------------|----------------|----------------|----------------|------------------|-----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| INCOME STATEMENTS | | | | | | | | |
| Net Operating Revenues | 69.487 | 109.599 | 8.088 | 38.309 | 11.468 | - | (100.346) | 136.605 |
| Intersegments | 65.007 | 30.027 | 2.402 | 545 | 2.365 | - | (100.346) | |
| Third Parties | 4.480 | 79.572 | 5.686 | 37.764 | 9.103 | - | - | 136.605 |
| Cost of Goods Sold | (29.682) | (97.452) | (6.447) | (34.620) | (7.350) | - | 98.443 | (77.108) |
| Gross Profit | 39.805 | 12.147 | 1.641 | 3.689 | 4.118 | - | (1.903) | 59.497 |
| Operating Expenses | (3.287) | (3.665) | (2.097) | (2.451) | (1.931) | (6.427) | 134 | (19.724) |
| Sales, General & Administrative | (873) | (3.000) | (1.365) | (2.314) | (1.131) | (2.359) | 134 | (10.908) |
| Taxes | (30) | (79) | (61) | (164) | (129) | (432) | - | (895) |
| Exploratory Costs | (1.899) | - | - | - | (346) | - | - | (2.245) |
| Losses on Recovery of Assets | (27) | - | - | - | (77) | - | - | (104) |
| Research & Development | (372) | (134) | (53) | (2) | (5) | (369) | - | (935) |
| Health and Pension Plans | - | - | - | - | - | (2.011) | - | (2.011) |
| Others | (86) | (452) | (618) | 29 | (243) | (1.256) | - | (2.626) |
| Operating Profit (Loss) | 36.518 | 8.482 | (456) | 1.238 | 2.187 | (6.427) | (1.769) | 39.773 |
| Interest Income | | | | | | | | |
| (Expenses) | (1.007) | 119 | 89 | 21 | (1.263) | (794) | (8) | (2.843) |
| Equity Income | - | 200 | (42) | - | 100 | (508) | - | (250) |
| Monetary correction | - | - | - | - | - | - | - | - |
| Non-operating Income | | | | | | | | |
| (Expense) | (98) | (19) | (38) | (9) | (6) | 46 | - | (124) |
| Income (Loss) Before Taxes and Minority Interests | 35.413 | 8.782 | (447) | 1.250 | 1.018 | (7.683) | (1.777) | 36.556 |
| Income Tax & Social Contribution | (11.732) | (2.868) | 87 | (390) | (307) | 3.792 | 616 | (10.802) |
| Minority Interests | (613) | (74) | (237) | - | (99) | - | - | (1.023) |
| Employee Profit Sharing Plan | (369) | (284) | (27) | (76) | (45) | (205) | - | (1.006) |
| Net Income (Loss) | 22.699 | 5.556 | (624) | 784 | 567 | (4.096) | (1.161) | 23.725 |

Consolidated Result by Business Area - December 31, 2004

| | R\$ million | | | | | | | |
|--|----------------|----------------|--------------------|----------------|----------------|----------------|-----------------|-----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| INCOME STATEMENTS | | | | | | | | |
| Net Operating Revenues | 55.220 | 82.931 | 5.944 | 30.507 | 10.593 | - | (74.067) | 111.128 |
| Intersegments | 47.826 | 22.933 | 1.159 | 508 | 1.641 | - | (74.067) | - |
| Third Parties | 7.394 | 59.998 | 4.785 | 29.999 | 8.952 | - | - | 111.128 |
| Cost of Goods Sold | (23.816) | (75.643) | (4.606) | (27.454) | (6.830) | - | 73.280 | (65.069) |
| Gross Profit | 31.404 | 7.288 | 1.338 | 3.053 | 3.763 | - | (787) | 46.059 |
| Operating Expenses | (2.303) | (3.684) | (1.296) | (2.225) | (1.825) | (4.796) | - | (16.129) |
| Sales, General & Administrative | (686) | (2.889) | (693) | (1.818) | (1.062) | (1.748) | - | (8.896) |
| Taxes | (21) | (77) | (60) | (158) | (133) | (806) | - | (1.255) |
| Exploratory Costs | (1.168) | - | - | - | (516) | - | - | (1.684) |
| Losses on Recovery of Assets | (54) | - | - | - | - | - | - | (54) |
| Research & Development | (306) | (143) | (23) | (7) | (4) | (213) | - | (696) |
| Health and Pension Plan | - | - | - | - | - | (1.321) | - | (1.321) |
| Others | (68) | (575) | (520) | (242) | (110) | (708) | - | (2.223) |
| Operating Profit (Loss) | 29.101 | 3.604 | 42 | 828 | 1.938 | (4.796) | (787) | 29.930 |
| Interest Income | | | | | | | | |
| (Expenses) | (1.000) | 161 | 360 | (7) | (1.239) | (1.561) | (35) | (3.321) |
| Equity Income | - | 191 | 18 | - | 21 | (375) | - | (145) |
| Non-operating Income | | | | | | | | |
| (Expense) | (248) | 119 | (8) | (6) | (44) | (20) | - | (207) |
| Income (Loss) Before Taxes and Minority Interests | 27.853 | 4.075 | 412 | 815 | 676 | (6.752) | (822) | 26.257 |
| Income Tax & Social Contribution | (9.362) | (1.265) | 281 | (134) | 50 | 3.229 | 297 | (6.904) |
| Minority Interests | (76) | (41) | (1.206) | - | (360) | - | - | (1.683) |
| Employee Profit Sharing Plan | (332) | (216) | (4) | (58) | (19) | (154) | - | (783) |
| Net Income (Loss) | 18.083 | 2.553 | (517) | 623 | 347 | (3.677) | (525) | 16.887 |

- (1) With the objective of adapting the segmented results to the new procedures as a result of implementing SAP-R/3 [software applications], beginning in 2005 the receipts from the sale of petroleum to third parties will be allocated according to where the sale is actually realized, which may be either the Exploration and Production or Supply segment. Until 2004, the sale of petroleum was allocated only to the Exploration and Production segment.

Considering that the methodology of internal prices for transfers of oil is based on market parameters and that all the petroleum sold by the area of Supply originates in transfer from the area of Exploration and Production, this adaptation practically produces no effects on the profit or loss of the areas; it is limited to an increase of the Net Intersegmented Operational Revenues of the area of Exploration and Production balanced by a reduction on the line of Net Operating Revenues with Third Parties as well as increases on the line of Net Operating Revenues with Third Parties and on the Cost of Products and Services Sold from Supply.

Statement of Other Operating Revenues (Expenses) 12.31.2005

| R\$ Million | | | | | | | |
|---|--------|--------------------|----------|---------|---------|---------|---------|
| E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Operating expenses with thermoelectric plants | - | - | (1.126) | - | - | - | (1.126) |
| Institutional relations and cultural projects | - | (7) | - | (99) | - | (872) | (978) |
| Losses and Contingencies related to Legal Procedures | (28) | (316) | - | 83 | (31) | (51) | (343) |
| Unscheduled stoppages at installations and production equipment | (68) | (89) | - | - | - | - | (157) |
| Contractual losses from ship-or-pay transport services | - | - | - | - | (147) | - | (147) |
| Result from hedge operations | - | (18) | 419 | - | - | - | 401 |
| Rent revenues | - | - | - | 51 | - | - | 51 |
| Others | 10 | (22) | 89 | (6) | (65) | (333) | (327) |
| | (86) | (452) | (618) | 29 | (243) | (1.256) | (2.626) |

Statement of Other Operating Revenues (Expenses) 12.13.2004

| R\$ Million | | | | | | | |
|---|--------|--------------------|----------|---------|---------|---------|-------|
| E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Operating expenses with thermoelectric plants | - | - | (597) | - | - | - | (597) |
| Institutional relations and cultural projects | - | (9) | - | (102) | - | (646) | (757) |
| | (43) | (122) | (2) | (106) | - | (52) | (325) |

| | | | | | | | | |
|--|-------------|--------------|--------------|--------------|--------------|--------------|---|----------------|
| Losses and Contingencies related to Legal Procedures | | | | | | | | |
| Unscheduled stoppages at installations and production equipment | (118) | (127) | - | - | - | - | - | (245) |
| Contractual losses from ship-or-pay transport services | - | - | - | - | (169) | - | - | (169) |
| Result from hedge operations | - | (272) | 259 | - | - | - | - | (13) |
| Rent revenues | - | - | - | 45 | - | - | - | 45 |
| Statutory Social Plan (INSS) Contingencies | (135) | - | - | - | - | - | - | (135) |
| Others | 228 | (45) | (180) | (79) | 59 | (10) | - | (27) |
| | (68) | (575) | (520) | (242) | (110) | (708) | - | (2.223) |

Statement of Extraordinary Items in 12.31.2005

| | R\$ Million | | | | | | | |
|---|---------------|--------------|--------------------|--------------|--------------|----------------|----------------|---------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Operating Income (Loss) by Business Segment | 36.518 | 8.482 | (456) | 1.238 | 2.187 | (6.427) | (1.769) | 39.773 |
| Extraordinary Items: | | | | | | | | |
| Contractual Losses from Ship-or-Pay Transport Services | - | - | - | - | 147 | - | - | 147 |
| Net Profit in Assets Exchange | - | - | - | - | - | (146) | - | (146) |
| Lawsuit Loss Related to ICMS Tax | - | 286 | - | - | - | - | - | 286 |
| Regulatory Framework Changes Effect | - | - | - | - | 23 | - | - | 23 |
| Making up for thermo-plant short fall in the Northeast | - | - | 118 | - | - | - | - | 118 |
| Costs incurred to renegotiate existing contracts with thermo-plants | - | - | 376 | - | - | - | - | 376 |
| Extraordinary Items Subtotal | - | 286 | 494 | - | 170 | (146) | - | 804 |
| Operating Income (Loss) by Business Segment before Extraordinary Items | 36.518 | 8.768 | 38 | 1.238 | 2.357 | (6.573) | (1.769) | 40.577 |
| Net Income (Loss) by Business Segment | 22.699 | 5.556 | (624) | 784 | 567 | (4.096) | 1.161 | 23.725 |
| Extraordinary Items | - | 286 | 494 | - | 170 | (146) | - | 804 |
| Tax Effects | - | (98) | (93) | - | (87) | 50 | - | (228) |
| Net Income (Loss) by Business Segment before | 22.699 | 5.744 | (223) | 784 | 650 | (4.192) | (1.161) | 24.301 |

**Extraordinary
Items**

Statement of Extraordinary Items in 12.31.2004

| | R\$ Million | | | | | | | |
|--|--------------------|---------------|---------------------------------|-----------------|----------------|----------------|----------------|---------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Operating Income (Loss) by Business Segment | 29.101 | 3.604 | 42 | 828 | 1.938 | (4.796) | (787) | 29.930 |
| Extraordinary Items: | | | | | | | | |
| Contractual Losses from Ship-or-Pay Transport Services | - | - | - | - | 169 | - | - | 169 |
| Statutory Social Plan (INSS) Contingencies | 135 | - | - | - | - | - | - | 135 |
| Provision for Abandonment of Wells and Disassembling of Areas | (412) | - | - | - | - | - | - | (412) |
| Write-off on Signature Bonus in Angola | - | - | - | - | 192 | - | - | 192 |
| Fiscal Credit PEPSA | - | - | - | - | (239) | - | - | (239) |
| Statutory Pension Plan Credits Recovery | - | - | - | - | - | 165 | - | 165 |
| Fiscal Indebtedness Costs incurred to renegotiate existing contracts with thermo-plants | - | 94 | - | - | - | - | - | 94 |
| | - | - | 69 | - | - | - | - | 69 |
| Extraordinary Items Subtotal | (277) | 94 | 69 | - | 122 | 165 | - | 173 |

| | | | | | | | | |
|---|---------------|--------------|--------------|------------|--------------|----------------|--------------|---------------|
| Operating Income (Loss) by Business Segment before Extraordinary Items | 28.824 | 3.698 | 111 | 828 | 2.060 | (4.631) | (787) | 30.103 |
| Net Income (Loss) by Business Segment Extraordinary Items | 18.083 | 2.553 | (517) | 623 | 347 | (3.677) | (525) | 16.887 |
| Tax Effects | (277) | 94 | 69 | - | 122 | 165 | - | 173 |
| | 94 | (32) | (23) | - | (123) | (56) | - | (140) |
| Net Income (Loss) by Business Segment before Extraordinary Items | 17.900 | 2.615 | (471) | 623 | 346 | (3.568) | (525) | 16.920 |

Consolidated Assets by Business Segment - 12.31.2005

| R\$ Million | | | | | | | | |
|--|----------------|---------------|---------------------------------|-----------------|----------------|----------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| ASSETS | 68.312 | 40.438 | 21.404 | 8.815 | 21.025 | 39.018 | (15.491) | 183.521 |
| CURRENT ASSETS | 7.528 | 20.766 | 4.677 | 4.865 | 6.289 | 23.181 | (7.072) | 60.234 |
| CASH AND CASH EQUIVALENTS | 1.640 | 1.458 | 1.960 | 371 | 1.499 | 16.489 | - | 23.417 |
| OTHERS | 5.888 | 19.308 | 2.717 | 4.494 | 4.790 | 6.692 | (7.072) | 36.817 |
| NON-CURRENT ASSETS | 3.336 | 1.186 | 2.158 | 1.097 | 777 | 13.624 | (8.075) | 14.103 |
| PETROLEUM AND ALCOHOL ACCT. MARKETABLE SECURITIES | - | - | - | - | - | 770 | - | 770 |
| OTHERS | 310 | 5 | - | 2 | 1 | 300 | - | 618 |
| FIXED ASSETS | 57.448 | 18.486 | 14.569 | 2.853 | 13.959 | 2.213 | (344) | 109.184 |

Consolidated Assets by Business Segment - 09.30.2005

| R\$ Million | | | | | | | | |
|--|----------------|---------------|---------------------------------|-----------------|----------------|----------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| ASSETS | 60.492 | 41.831 | 22.193 | 8.641 | 19.602 | 37.177 | (17.776) | 172.160 |
| CURRENT ASSETS | 5.939 | 22.756 | 4.143 | 4.858 | 5.937 | 20.722 | (8.743) | 55.612 |
| CASH AND CASH EQUIVALENTS | 1.203 | 1.412 | 961 | 250 | 1.356 | 16.028 | - | 21.210 |
| OTHERS | 4.736 | 21.344 | 3.182 | 4.608 | 4.581 | 4.694 | (8.743) | 34.402 |
| NON-CURRENT ASSETS | 2.993 | 1.565 | 2.441 | 982 | 962 | 14.422 | (8.689) | 14.676 |
| PETROLEUM AND ALCOHOL ACCT. MARKETABLE SECURITIES | - | - | - | - | - | 765 | - | 765 |
| OTHERS | 320 | 5 | - | 2 | 1 | 411 | - | 739 |
| FIXED ASSETS | 2.673 | 1.560 | 2.441 | 980 | 961 | 13.246 | (8.689) | 13.172 |

| | | | | | | | | |
|---------------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|----------------|
| FIXED ASSETS | 51.560 | 17.510 | 15.609 | 2.801 | 12.703 | 2.033 | (344) | 101.872 |
|---------------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|----------------|

Consolidated Assets by Business Segment - 12.31.2004

| | R\$ Million | | | | | | | |
|-----------------------|--------------------|---------------|---------------------------------|-----------------|----------------|----------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| ASSETS | 60.307 | 37.161 | 19.145 | 8.173 | 21.286 | 42.888 | (24.294) | 164.666 |
| CURRENT ASSETS | 6.516 | 19.564 | 3.604 | 4.610 | 5.751 | 17.465 | (4.724) | 52.786 |
| CASH AND CASH | | | | | | | | |
| EQUIVALENTS | 2.330 | 1.338 | 787 | 304 | 1.387 | 13.841 | - | 19.987 |
| OTHERS | 4.186 | 18.226 | 2.817 | 4.306 | 4.364 | 3.624 | (4.724) | 32.799 |
| NON-CURRENT | | | | | | | | |
| ASSETS | 5.032 | 1.639 | 2.329 | 903 | 985 | 23.237 | (19.217) | 14.908 |
| PETROLEUM AND | | | | | | | | |
| ALCOHOL ACCT. | - | - | - | - | - | 749 | - | 749 |
| MARKETABLE | | | | | | | | |
| SECURITIES | 425 | 5 | - | 3 | 12 | 5.649 | (5.235) | 859 |
| OTHERS | 4.607 | 1.634 | 2.329 | 900 | 973 | 16.839 | 13.982 | 13.300 |
| FIXED ASSETS | 48.759 | 15.958 | 13.212 | 2.660 | 14.550 | 2.186 | (353) | 96.972 |

Consolidated Results International Business Area - 12.31.2005

| | R\$ Million INTERNATIONAL | | | | | | |
|--------------------------------------|--------------------------------------|---------------|----------------|-----------------|----------------|----------------|---------------|
| | E&P | SUPPLY | G&E | DISTRIB. | CORPOR. | ELIMIN. | TOTAL |
| INTERNATIONAL AREA ASSETS | 14.633 | 3.293 | 4.208 | 487 | 6.461 | (8.057) | 21.025 |
| Income Statement | | | | | | | |
| Net Operating Revenues | 5.583 | 5.399 | 2.296 | 2.486 | 51 | (4.347) | 11.468 |
| Intersegments | 3.399 | 2.915 | 390 | 8 | - | (4.347) | 2.365 |
| Third Parties | 2.184 | 2.484 | 1.906 | 2.478 | 51 | - | 9.103 |
| Operating Profit (Loss) | 2.175 | 187 | 370 | (21) | (575) | 51 | 2.187 |
| Net Income (Loss) | 655 | 154 | 310 | (14) | (580) | 42 | 567 |

Consolidated Results International Business Area

| | R\$ Million INTERNATIONAL | | | | | | |
|---|--------------------------------------|---------------|----------------|-----------------|----------------|----------------|---------------|
| | E&P | SUPPLY | G&E | DISTRIB. | CORPOR. | ELIMIN. | TOTAL |
| INTERNATIONAL AREA ASSETS (09.30.2005) | 13.171 | 3.199 | 3.801 | 479 | 5.409 | (6.457) | 19.602 |
| Income Statement (12.31.2004) | | | | | | | |
| Net Operating Revenues | 4.779 | 5.833 | 2.061 | 2.428 | 47 | (4.555) | 10.593 |
| Intersegments | 2.872 | 2.962 | 323 | 39 | - | (4.555) | 1.641 |
| Third Parties | 1.907 | 2.871 | 1.738 | 2.389 | 47 | - | 8.952 |
| Operating Profit (Loss) | 1.577 | 628 | 467 | (388) | (383) | 37 | 1.938 |
| Net Income (Loss) ⁽¹⁾ | 341 | 569 | 365 | (276) | (691) | 39 | 347 |
| ASSETS (12.31.2004) | 13.576 | 3.339 | 4.231 | 589 | 5.506 | (5.955) | 21.286 |

PETROBRAS SYSTEM

Appendices

1. Changes in the Petroleum and Alcohol Accounts

| R\$ Million | | | | | |
|-------------|----------------|------------|-------------------------------------|-------------|------------|
| 3Q-2005 | Fourth Quarter | | | Fiscal Year | |
| | 2005 | 2004 | 2004 | 2005 | 2004 |
| 758 | 765 | 754 | Initial Balance | 749 | 689 |
| - | - | - | Reimbursement to Petrobras | - | 4 |
| 7 | 5 | 3 | Intercompany Lending Charges | 21 | 14 |
| - | - | (8) | Partial Settlement- STN | - | (8) |
| - | - | | Regularization - GTI* | - | 50 |
| 765 | 770 | 749 | Final Balance | 770 | 749 |

* GOVERNMENTAL AUDITING WORK GROUP

SETTLING OF ACCOUNTS WITH THE FEDERAL GOVERNMENT

As defined in Law no. 10.742 of October 06, 2003, the settling of accounts with the Federal Government should have taken place by June 30, 2004. PETROBRAS, working with the Ministry of Mines and Energy - MME, is seeking to balance the differences still remaining with the Secretary of the National Treasury - STN, with a view to concluding the operation in accordance with the provision of Temporary Measure no. 2.181 -45 of August 24, 2001.

The balance of the account may be paid by means of the issuing of National Treasury bonds, of a value equal to the final balance of the settled accounts or with other amounts that PETROBRAS may, by chance, be owing the Federal Government, including those relating to taxes, or a combination of the previous options.

2. Analysis of the Consolidated Gross Margin

| Main Items | Net Revenues | Cost of Goods Sold | Gross Income |
|--|--------------|--------------------|--------------|
| . Domestic Market: | | | |
| - Effect of Volumes Sold | (537) | 321 | (216) |
| - Effect of Prices | 1,904 | - | 1,904 |
| . Intl. Market: | | | |
| - Effect of Export Volumes | 657 | (7) | 650 |
| - Effect of Export Price | (1,038) | - | (1,038) |
| . Increase expenses: | | | |
| - Oil, Gas and Oil Product Imports | - | 150 | 150 |
| - Third-Party Services | - | (151) | (151) |
| - Domestic Government Take | - | (885) | (885) |
| - Salaries, Perquisites and Benefits | - | (230) | (230) |
| - Materials, Services and Depreciation | - | (138) | (138) |
| . Increase in Profitability of Distribution Segment | 6 | - | 6 |
| . Increase (Decrease) Operations of Commercialization Abroad | (655) | 615 | (40) |
| . Increase (Decrease) in International Sales | 639 | (399) | 240 |
| . FX Effect on Controlled Companies' Revenues and Costs | | | |
| Abroad | 197 | (187) | 10 |
| . Others | 1,754 | (530) | 1,224 |
| | 2,927 | (1,441) | 1,486 |

3. Consolidated Taxes and Obligations

The economic contribution of PETROBRAS to the Nation, measured by means of the generation of taxes, duties, and current social obligations, totaled R\$ 45,758 million in 2005.

| R\$ million | | | | | | | | |
|---------------|----------------|---------------|-----------|--|---|---------------|---------------|-----------|
| 3Q-2005 | Fourth Quarter | | | | | Fiscal Year | | |
| | 2005 | 2004 | Δ% | | | 2005 | 2004 | Δ% |
| | | | | | Economic Contribution - Country | | | |
| 3.982 | 4.248 | 3.810 | 11 | | Value Added Tax (ICMS) | 15.518 | 14.189 | 9 |
| 1.915 | 1.888 | 1.869 | 1 | | CIDE ⁽¹⁾ | 7.444 | 7.647 | (3) |
| 2.558 | 2.926 | 2.826 | 4 | | PASEP/COFINS | 10.385 | 11.021 | (6) |
| | | | | | Income Tax & Social Contribution | 10.401 | 6.500 | 60 |
| 3.316 | 2.363 | 1.285 | 84 | | Others | 2.010 | 1.756 | 14 |
| 658 | 407 | 340 | 20 | | | | | |
| 12.429 | 11.832 | 10.130 | 17 | | Subtotal | 45.758 | 41.113 | 11 |
| | | | | | Economic Contribution - Foreign | | | |
| 792 | 1.021 | 906 | 13 | | | 3.578 | 3.575 | - |
| 13.221 | 12.853 | 11.036 | 16 | | Total | 49.336 | 44.688 | 10 |

⁽¹⁾ CIDE CONTRIBUTION FOR INTERVENTION IN THE ECONOMIC DOMAIN.

4. Payments to Governments

| R\$ million | | | | | | | | |
|--------------|----------------|--------------|-----------|--|-----------------------|---------------|---------------|-----------|
| 3Q-2005 | Fourth Quarter | | | | | Fiscal Year | | |
| | 2005 | 2004 | Δ% | | | 2005 | 2004 | Δ% |
| | | | | | Country | | | |
| 1.769 | 1.712 | 1.435 | 19 | | <i>Royalties</i> | 6.366 | 5.020 | 27 |
| 2.035 | 2.003 | 1.776 | 13 | | Special Participation | 7.279 | 5.717 | 27 |
| 18 | 58 | 20 | 190 | | Surface Rental Fees | 110 | 87 | 26 |
| 3.822 | 3.773 | 3.231 | 17 | | Subtotal | 13.755 | 10.824 | 27 |
| | | | | | Foreign | | | |
| 188 | 249 | 105 | 137 | | | 719 | 503 | 43 |
| 4.010 | 4.022 | 3.336 | 21 | | Total | 14.474 | 11.327 | 28 |

The payments to governments in the Nation increased 28%, in comparison to 2004, reflecting the increase by 38% in the reference prices for domestic petroleum, which averaged US\$ 41.85 (US\$ 30.26 in 2004).

5. Consolidated Reconciliation of Shareholders' Equity and Net income

| | R\$ Million | |
|---|---------------------------------|---------------|
| | Shareholders' Equity | Result |
| . According to PETROBRAS information as of December 31, 2005 | 80.703 | 23.450 |
| . Profit in the sales of products in affiliated inventories | (302) | (302) |
| . Reversal of profits on inventory in previous years | - | 384 |
| . Capitalized interest | (604) | (168) |
| . Absorption of negative net worth in affiliated companies (*) | (255) | 295 |
| . Other eliminations | (757) | 66 |
| . According to consolidated information as of December 31, 2005 | 78.785 | 23.725 |

* In accordance with the Brazilian Securities and Exchange Commission (CVM) Instruction no. 247/96, losses that are considered to be of a non-permanent (temporary) nature, on investments evaluated by the equity method and which do not present signs of paralyzation or of need of financial support by the investor, should be limited to the value of the investment of the parent company. Therefore, the losses that were caused by excess of liabilities over assets (negative shareholder equity) of controlled companies do not influence the profit and the shareholders' equity of PETROBRAS in the 2005, and produce an item of reconciliation between the Financial Statements of PETROBRAS and the Consolidated Financial Statements.

6. Trends of PETROBRAS Shares and ADR [American Depository Receipts]

| | Nominal Change | | | | |
|---------|-----------------------|-------------|----------------------------|--------------------|-------------|
| | Fourth Quarter | | | Fiscal Year | |
| 3Q-2005 | 2005 | 2004 | | 2005 | 2004 |
| 32,71% | 2,61% | 2,70% | Petrobras ON | 55,09% | 26,63% |
| 32,87% | 4,38% | 3,54% | Petrobras PN | 53,19% | 27,17% |
| 37,14% | -0,31% | 12,85% | ADR- Level III - ON | 79,16% | 36,05% |
| 38,47% | 0,97% | 13,44% | ADR- Level III - PN | 77,77% | 35,82% |
| 26,08% | 5,93% | 12,70% | IBOVESPA | 27,71% | 17,81% |
| 2,86% | 1,41% | 6,97% | DOW JONES | -0,61% | 3,15% |
| 4,61% | 2,49% | 14,69% | NASDAQ | 1,37% | 8,59% |

The equity value of a share of PETROBRAS on December 31, 2005 reached R\$ 18.40.

7. Statement of the Base Profit of the Parent Company for the Purposes of Dividends

| | R\$ Million |
|-------------------------------|--------------------|
| | Fiscal Year |
| | 2005 |
| Net Income in the Fiscal Year | 23.450 |
| Appropriation: | |
| Legal Reserve | (1.173) |
| | 22.277 |

| | |
|--|--------|
| (+) Reversal of Reserves/Adjustments: | |
| Re-evaluation Reserve | 9 |
| (=) Basic Profit for Dividend Purposes | 22.286 |
| Proposed dividend, equivalent to 31.78% of basic profit - R\$1,60 per share (29.88% in 2004, R\$ 1.15 per share), comprised of: | |
| Interest on Own Capital | 5.483 |
| Dividend | 1.535 |
| Total Dividends Proposed | 7.018 |

The dividends proposed for the year 2005, in the amount of R\$ 7,018 million (R\$ 1.60 per share), are composed of the following:

| DIVIDENDS TO BE DELIBERATED AT THE GENERAL ORDINARY MEETING | Value per Share ON and PN | Value R\$ Million |
|---|--------------------------------------|------------------------------|
| Interest on Own Capital - Approved by the Board of Directors on 06.17.2005 - Paid on 01.05.2006, on the shareholder position of 06.30.2005 | 0,50 | 2.193 |
| Interest on Own Capital - Approved by the Board of Directors 12.16.2005, to be held up to 03.31.2006, on the shareholder position of 12.31.2005 | 0,50 | 2.193 |
| Interest on Own Capital - Proposed by the Board of Directors 02.17.2006 -The payment date will be established at the General Ordinary Meeting to be held on 04.03.2006, on the shareholder position of the same date | 0,25 | 1.097 |
| Dividends - Proposed by the Board of Directors on 02.17.2005 - The payment date will be determined at the General Ordinary Meeting to be held 04.03.2006, on the shareholder position of the same date | 0,35 | 1.535 |
| TOTAL DIVIDENDS | 1,60 | 7.018 |

Dividends and interest on shareholders' capital to be made available will have their monetary value adjusted for inflation, beginning on 12.31.2005 and up to the date when distribution begins, according to the variation of the rate of the Special System for Settlement and Custody (SELIC).

The management of PETROBRAS is proposing to the Extraordinary Shareholders' Meeting the increase of the capital stock of the Company from R\$ 32.896 million to R\$ 48.248 million without the issue of new shares. This will be done by means of capitalization of part of the excess of profit reserve, in the amount of R\$ 15.012 million, being R\$ 844 million from the statutory reserves and R\$ 14.169 million from the retained earnings reserves. Other R\$ 339 million will be capitalized from the balance of the monetary correction on paid in capital reserve.

8. Exchange Exposure

The exchange exposure of the PETROBRAS System is measured according to the following table:

| Assets | R\$ Million | | |
|-----------------------------|--------------------|------------|------------|
| | 12.31.2005 | 09.30.2005 | 12.31.2004 |
| Current Assets | 17.531 | 18.401 | 18.765 |
| Cash and Cash Equivalents | 4.658 | 7.172 | 9.843 |
| Others Current Assets | 12.873 | 11.229 | 8.922 |
| Non-current Assets | 3.009 | 3.803 | 2.499 |
| Fixed Assets | 29.097 | 26.656 | 25.747 |
| Investments | (272) | 184 | 145 |
| Property, Plant & Equipment | 28.777 | 25.959 | 24.806 |
| Others Fixed Assets | 592 | 513 | 796 |
| Total Assets | 49.637 | 48.860 | 47.011 |

| Assets | R\$ Million | | |
|---|--------------------|------------|------------|
| | 12.31.2005 | 09.30.2005 | 12.31.2004 |
| Current Liabilities | 15.141 | 15.602 | 13.874 |
| Short-term Debt | 7.393 | 6.130 | 7.560 |
| Suppliers | 4.583 | 5.737 | 3.587 |
| Others Current Liabilities | 3.165 | 3.735 | 2.727 |
| Long-term Liabilities | 30.802 | 30.900 | 37.000 |
| Long-term Debt | 28.498 | 29.367 | 35.177 |
| Others Long-term Liabilities | 1.584 | 1.533 | 1.823 |
| Total Liabilities | 45.223 | 46.502 | 50.874 |
| Net Liabilities in Reais | 4.414 | 2.358 | (3.863) |
| (+) Investment Funds - Exchange | 11.469 | 9.572 | 8.349 |
| (-) FINAME Loans - dollar-indexed reais | 627 | 651 | 870 |
| Net Assets in Reais | 15.256 | 11.279 | 3.616 |

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| | | | |
|----------------------|--------|--------|--------|
| Net Assets in Dollar | 6.518 | 5.076 | 1.362 |
| Exchange rate (*) | 2,3407 | 2,2222 | 2,6544 |

(*) Conversion of values into reais is done considering the selling price of the dollar on the closing day of the period.

PETROBRAS SYSTEM

Financial Statements

Income Statement Parent Company

| R\$ Million | | | | | |
|--------------|----------------|--------------|--|---------------|---------------|
| 3Q-2005 | Fourth Quarter | | | Fiscal Year | |
| | 2005 | 2004 | | 2005 | 2004 |
| 37.871 | 39.014 | 32.225 | Gross Operating Revenues | 143.666 | 120.025 |
| (9.779) | (9.954) | (9.335) | Sales Deductions | (37.843) | (34.450) |
| 28.092 | 29.060 | 22.890 | Net Operating Revenues | 105.823 | 85.575 |
| (15.030) | (15.899) | (13.462) | Cost of Goods Sold | (57.512) | (48.608) |
| 13.062 | 13.161 | 9.428 | Gross Profit | 48.311 | 36.967 |
| | | | Operating Expenses | | |
| (2.117) | (2.204) | (1.516) | Sales, General & Administrative | (7.649) | (5.458) |
| (334) | (1.089) | (304) | Cost of Prospecting, Drilling & Lifting | (1.899) | (1.166) |
| | (27) | (54) | Loss in Assets Recovery | (27) | (54) |
| (247) | (271) | (188) | Research & Development | (933) | (689) |
| (114) | (120) | (101) | Taxes | (443) | (808) |
| (457) | (519) | (321) | Health and Pension Plan | (1.889) | (1.240) |
| (230) | (681) | (440) | Others | (2.692) | (2.805) |
| | | | Net Financial Expense | | |
| 337 | 1.522 | (451) | Income | 2.369 | 1.611 |
| (555) | (522) | (618) | Expense | (2.243) | (2.253) |
| (1.750) | 2.239 | (2.212) | 'Monetary & Foreign Exchange Correction - Assets | (4.069) | (2.414) |
| | | | 'Monetary & Foreign Exchange Correction - | | |
| 1.349 | (1.985) | 2.551 | Liabilities | 2.882 | 2.492 |
| (619) | 1.254 | (730) | | (1.061) | (564) |
| 86 | 693 | 21 | Gains from Investment in Subsidiaries | 1.782 | 1.350 |
| 9.030 | 10.197 | 5.795 | Operating Profit | 33.500 | 25.533 |
| 1 | 15 | (161) | Non-operating Income (Expense) | (200) | (228) |
| (3.115) | (1.944) | (1.499) | Income Tax & Social Contribution | (9.004) | (6.891) |
| (237) | (303) | (97) | Employee Profit Sharing Plan | (846) | (660) |
| 5.679 | 7.965 | 4.038 | Net Income (Loss) | 23.450 | 17.754 |

To facilitate comparability, some amounts regarding previous periods were reclassified in order to adapt them to statements for the current period.

Balance Sheet Parent Company

| Assets | R\$ Million | | |
|---|----------------------|----------------------|----------------------|
| | Dec. 31, 2005 | Sep. 30, 2005 | Dec. 31, 2004 |
| Current Assets | 44.695 | 41.053 | 35.443 |
| Cash and Cash Equivalents | 17.482 | 15.146 | 11.580 |
| Accounts Receivable | 10.676 | 9.451 | 7.421 |
| Inventories | 10.338 | 11.621 | 11.556 |
| Dividends | 946 | 168 | 440 |
| Recoverable Taxes and Contributions | 2.902 | 2.773 | 2.117 |
| Diferred Taxes and Social Contributions | 1.135 | 475 | 849 |
| Others | 1.216 | 1.419 | 1.480 |
| Non-current assets | 37.601 | 39.478 | 45.128 |
| Petroleum & Alcohol Account | 770 | 765 | 749 |
| Subsidiaries, Controlled Companies and Affiliates | 28.117 | 29.701 | 35.182 |
| Ventures under Negotiation | 443 | 1.325 | 1.211 |
| Advances to Suppliers | 684 | 661 | 959 |
| Advance for Pension Plan Migration | 1.205 | 1.203 | 1.218 |
| Deferred Taxes and Social Contribution | 2.334 | 2.070 | 2.030 |
| Judicial Deposits | 1.444 | 1.344 | 1.069 |
| Anticipated Expenses | 1.061 | 1.122 | 1.076 |
| Others | 1.543 | 1.287 | 1.634 |
| Fixed assets | 71.717 | 66.495 | 57.065 |
| Investments | 20.367 | 18.422 | 14.049 |
| Property, Plant & Equipment | 50.772 | 47.558 | 42.582 |
| Deferred | 578 | 515 | 434 |
| Total Assets | 154.013 | 147.026 | 137.636 |

| Liabilities | R\$ Million | | |
|-------------------------------------|----------------------|----------------------|----------------------|
| | Dec. 31, 2005 | Sep. 30, 2005 | Dec. 31, 2004 |
| Current Liabilities | 47.696 | 44.603 | 47.937 |
| Short-term Debt | 1.656 | 1.154 | 1.310 |
| Suppliers | 24.865 | 26.722 | 26.950 |
| Taxes & Social Contribution Payable | 7.292 | 7.429 | 6.583 |
| Dividends | 7.018 | 2.193 | 5.044 |
| Project Finance and Joint Ventures | 2.422 | 3.917 | 4.652 |
| Pension fund obligations | 462 | 362 | 415 |
| Others | 3.981 | 2.826 | 2.983 |

| | | | |
|--------------------------------------|----------------|----------------|----------------|
| Long-term Liabilities | 25.614 | 24.867 | 25.445 |
| Long-term Debt | 6.409 | 6.948 | 8.589 |
| Subsidiaries & Controlled Companies | 1.925 | 1.968 | 3.420 |
| Pension fund obligations | 1.749 | 1.561 | 601 |
| Health Care Benefits | 6.477 | 6.208 | 5.214 |
| Deferred Taxes & Social Contribution | 6.270 | 6.094 | 5.264 |
| Others | 2.784 | 2.088 | 2.357 |
| Shareholders' Equity | 80.703 | 77.556 | 64.254 |
| Capital Stock | 33.235 | 33.235 | 33.235 |
| Reserves | 47.468 | 44.321 | 31.019 |
| Total liabilities | 154.013 | 147.026 | 137.636 |

Statement of Cash Flow Parent Company

| 3Q-2005 | Fourth Quarter | | | R\$ Million | |
|--------------|----------------|----------------|---|---------------|----------------|
| | 2005 | 2004 | | Fiscal Year | |
| | 2005 | 2004 | | 2005 | 2004 |
| 5.679 | 7.965 | 4.038 | Net Income (Loss) | 23.450 | 17.754 |
| 4.249 | (3.203) | 3.520 | (+) Adjustments | 774 | 8.020 |
| 930 | 992 | 1.063 | Depreciation & Amortization | 3.739 | 3.807 |
| 1.119 | (1.055) | (525) | Oil and Oil Products Supply - Foreign | (962) | 4.801 |
| 675 | (1.534) | 1.470 | Charges on Financing and Affiliated Companies | (808) | 1.163 |
| (87) | (692) | (21) | Results of Participation in Material Investments | (1.782) | (1.350) |
| 1.612 | (914) | 1.533 | Other Adjustments | 587 | (401) |
| 9.928 | 4.762 | 7.558 | (=) Net Cash Generated by Operating Activities | 24.224 | 25.774 |
| 3.335 | 6.138 | 5.045 | (-) Cash used for Cap.Expend. | 16.024 | 14.142 |
| 2.543 | 2.948 | 2.988 | Investment in E&P | 9.895 | 9.126 |
| 666 | 2.669 | 931 | Investment in Refining & Transport | 4.404 | 3.845 |
| 493 | (483) | 372 | Investment in Gas and Energy | 850 | 508 |
| 93 | 217 | 430 | Structured Projects Net of Advance | 591 | 411 |
| (234) | - | - | Dividends | (531) | (560) |
| (226) | 787 | 324 | Other Investments | 815 | 812 |
| 6.593 | (1.376) | 2.513 | (=) Free Cash Flow | 8.200 | 11.632 |
| 2.942 | (3.712) | 4.070 | (-) Cash used in Financing Activities | 2.298 | 20.275 |
| 3.651 | 2.336 | (1.557) | (=) Cash Generated in the Period | 5.902 | (8.643) |
| 11.495 | 15.146 | 13.137 | Cash at the Beginning of Period | 11.580 | 20.223 |
| 15.146 | 17.482 | 11.580 | Cash at the End of Period | 17.482 | 11.580 |

Statement of Value Added - Parent Company

| Description | R\$ million | |
|--|--------------------|---------------|
| | Fiscal Year | |
| | 2005 | 2004 |
| Gross Operating Revenue from Sales &/ Services | 143.987 | 120.341 |
| Raw Materials Used | (11.964) | (14.428) |
| Products for Resale | (6.961) | (7.660) |
| Materials, Energy, Services & Others | (20.081) | (12.432) |
| Value Added Generated | 104.981 | 85.821 |
| Depreciation & Amortization | (3.739) | (3.807) |
| Participation in Associated Companies | 1.782 | 1.350 |
| Financial Income Net | 1.923 | 1.531 |
| Rents and Royalties | 400 | 377 |
| Total Distributable Value Added | 105.347 | 85.272 |
| Distribution of Value Added | | |
| Personnel | | |
| Salaries, Benefits and Charges | 7.498 | 5.614 |
| Government Entities | | |
| Taxes, Fees and Contributions | 48.045 | 41.912 |
| Government Participation | 13.754 | 10.824 |
| Income Tax & Social Contribution- Diferred | 422 | 1.692 |
| | 62.221 | 54.428 |
| Financial Institutions and Suppliers | | |
| Financial Expenses, Interest | 2.984 | 2.096 |
| Monetary and FX Liabilities Variation | 9.194 | 5.380 |
| | 12.178 | 7.476 |
| Shareholders | | |
| Dividends | 7.018 | 5.044 |
| Retained Earnings | 28.610 | 20.186 |
| Net Income | 35.628 | 25.230 |

To facilitate comparability, some amounts regarding previous periods were reclassified in order to adapt them to statements for the current period.

PETROBRAS S.A

<http://www.petrobras.com.br/ri>

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 21, 2006

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: /s/ Almir Guilherme Barbassa

Almir Guilherme Barbassa
Chief Financial Officer and
Investor Relations Officer

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.
