

BRAZILIAN PETROLEUM CORP
Form 6-K
November 14, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of November 2005

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 RELEASES THIRD-QUARTER 2005 RESULTS

(Rio de Janeiro November 11, 2005) **PETRÓLEO BRASILEIRO S.A. PETROBRAS releases its consolidated results today, expressed in millions of reais, according to Brazilian GAAP.**

PETROBRAS reported consolidated net income of R\$ 5.632 million in 3Q-2005, 27% higher than net income reported in 3Q-2004 (R\$ 4.440 million), excluding the effect of the fiscal benefit from declaration of interest on own capital in 3Q-2004. Consolidated net operating revenues were R\$ 35.711 million, 18% higher than in the same period of 2004 (R\$ 30.170 million). EBITDA in 3Q-2005 reached R\$ 12.488 million, which result was 31% higher than the R\$ 9.548 million reported in 3Q-2004. The Company's market value on September 30, 2005, reached R\$ 168.035 million.

- Net income in 3Q-2005 was 27% higher than net income in 3Q-2004, excluding the effect of the fiscal benefit from the declaration of interest on own capital in 3Q-2004. Higher net income was a result of the profitability obtained in the period due to the increase in prices and volumes sold in the domestic and external markets. These effects were partially offset by growth in cost of goods sold, where higher expenses related to government take are highlighted, and in expenses with oil products imports, technical services and materials.
- In 3Q-2005, consolidated gross and net revenues were R\$ 46.555 million and R\$ 35.711 million, respectively. Growth in consolidated gross and net revenues in comparison to 3Q-2004 was R\$ 5.980 million (15%) and R\$ 5.541 million (18%), respectively.
- Total production of oil, NGL and natural gas rose 10% over 3Q-2004, reaching an average of 2,257 thousand barrels of oil equivalent per day, due in part to the coming on line of Platforms P-43 (Barracuda) and P-48 (Caratinga) in December 2004 and February 2005, respectively. Production of oil and NGL in Brazil reached an average of 1,725 thousand bpd, with 84% coming from the Campos Basin (1,445 thousand bpd).
- Net financial debt of the PETROBRAS System fell from R\$ 33.316 million on June 30, 2005, to R\$ 26.203 million on September 30, 2005, reflecting the appreciation of the *real* against the dollar in the quarter.
- The Company's market value on September 30, 2005, was R\$ 168.035 million, a 54% increase over September 30, 2004 (R\$ 109.152 million).
- From January through September 2005, the PETROBRAS System invested R\$ 16.921 million, with R\$ 8.907 million in development of oil and natural gas production capacity. These investments include those made by Special Purpose Companies (SPCs), which totaled R\$ 1.914 million.
- The value added by the PETROBRAS System in the period from January through September 2005 was R\$ 81.003, 19% higher than in the same period of 2004, with R\$ 46.946 million destined to government take and to federal, state and municipal taxes, R\$ 10.798 million to financial institutions and suppliers for payment of expenses related to financing, rent and freight, R\$ 17.170 million to shareholders, and R\$ 6.089 million to salaries and benefits.

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PETROBRAS SYSTEM

A word from the President, Mr. José Sérgio Gabrielli de Azevedo

It is with great satisfaction that we again report excellent quarterly results with consolidated net income of R\$ 5.632 million. In addition, we consolidated our already-strong financial position with our significant cash generation, which reached R\$ 12.488 million in the quarter (EBITDA).

As a result of our efforts in the operating and corporate arenas, we recently achieved an investment grade rating of Baa2 from Moody's Investor Services for our foreign currency bond offering. This rating is 4 notches above the rating of the Republic of Brazil. In their analysis, Moody's recognized both the improvement in the Republic of Brazil's financial outlook, as well as the reduction in PETROBRAS'S consolidated financial debt, the integration of our operations, and the growth in production and exports, all of which have contributed to increasing our capacity to generate foreign currency flows.

In this quarter we also released the revision of our 2006-2010 Business Plan, which, in general lines, maintains PETROBRAS'S aggressive growth goals and defines investment priorities for the next few years. All the described goals and achievements are the result of the dedication of PETROBRAS and its entire workforce in putting this business plan into action in a profitable manner, with social and environmental responsibility, and guaranteeing sustainable growth in its activities.

The excellent quarterly result reflected numerous measures that have been implemented in the operating and corporate areas, in particular the following:

- Price readjustment of PETROBRAS'S main products: gasoline by 10% and diesel by 12%. These adjustments were defined by the Company considering new levels of oil prices from a medium- and long-term perspective. These prices reflect our corporate strategy of aligning domestic prices with prices signals from the international market.
- In August, PETROBRAS reached an average throughput of 1,828 thousand bpd, which represents a new monthly record in the utilization of the company's refining capacity. This record was established while part of our installed capacity of conversion was under maintenance, and despite that there was an 80% participation of national oil in the processed throughput.
- Executive Board approval for the study of five initiatives with the state-owned company Petróleos de Venezuela S.A. (PDVSA), most notably a detailed study for a 50/50 joint venture to build a refinery in Pernambuco with the capacity to process 200,000 barrels of oil per day. The refinery would be configured to maximize the production of diesel oil and liquefied petroleum gas in order to satisfy the expected demand for such products in the Northeast by 2011.
- The chartering of two FPSOs (floating oil production, storage and transfer system) destined for the development of Module II of the Golfinho field and areas to the south of the Espadarte field, and an FSO (floating oil storage and transfer system) destined to the Director Plan for Oil Transport and Treatment (PDET) on the continental shelf of Espírito Santo and Campos.
- In the International arena, PETROBRAS'S active participation in exploration tenders resulted in a number of successful acquisitions: In the United States, our wholly owned subsidiary Petrobras America, submitted the largest number of winning proposals in the most recent tender promulgated by the U.S. Government's

Minerals Management Service (MMS); in Nigeria, PETROBRAS obtained an exploratory block as operator in Nigerian deepwater. PETROBRAS investments in those regions are a direct result of our acknowledged leadership in deep water exploration. An example of our technological capacity was the discovery of gas reserves in the first well operated by Petrobras América in deepwater in the Gulf of Mexico, where high-quality gas reserves were found with total density of 40 meters;

In the corporate area, I would particularly like to highlight the share split of the Company's capital on September 1, 2005, which has substantially increased the trading activity of our shares, thereby contributing to the greater liquidity and value of our shareholder equity. This has principally benefited our minority shareholders.

Along the same lines, PETROBRAS and its subsidiary Petrobras International Finance Company (PIFCO) have added to their financial flexibility and ability to access to the international capital markets by renewing their Shelf Registration with the U.S. Securities and Exchange Commission (SEC). The Shelf enables PETROBRAS or PIFCO to issue a wide range of debt and equity instruments for up to US\$ 6.5 billion over the next 24 months.

In activities related to corporate governance, and in compliance with the Sarbanes Oxley Act, we have made available lines of communication to receive information on possible accounting, financing and/or auditing irregularities. Thus, any person, including shareholders, employees, suppliers and clients of PETROBRAS or its controlled companies, may communicate facts of this nature to the Company Audit Committee by means of e-mail to ouvidoria@petrobras.com.br or by mail, furnishing the facts that will permit the full investigation of any wrongdoing.

As a reflection of good corporate governance practices, for the second consecutive year PETROBRAS won the Transparency Trophy offered annually by ANEFAC (National Association of Finance, Administrative and Accounting Executives), whose importance is indicated by the technical rigor in selection of participants. The award is recognition for Brazilian companies that today incorporate and practice intangible values in a globalized world, such as education, community development, preservation

of the environment, and preservation of the social values of the populations located in the areas in which the companies operate.

A subsequent event to the 3rd quarter was PETROBRAS achievements in the 7th ANP (National Petroleum Agency) Exploratory Bid. The Company acquired 96 exploratory blocks, of which 54 in partnerships and 42 alone, being the biggest acquirer. These new concession areas will allow us to rebuild and strength our exploration portfolio.

PETROBRAS SYSTEM **Financial Performance**

Net Income and Consolidated Economic Indicators

PETROBRAS, its subsidiaries and controlled companies, reported net income of R\$ 15.583 million for the period ended September 30, 2005, 23% higher than the net income reported for the period ended September 30, 2004..

| R\$ Million | | | | | | | |
|------------------------|---------------|----------|------|---------------------------------------|----------------|----------------|------|
| 2Q - 2005 (1) | Third Quarter | | | 2005 (1) | Jan-Sep | | |
| | 2005 (1) | 2004 (2) | % | | 2005 (1) | 2004 (2) | % |
| 42.646 | 46.555 | 40.575 | 15 | Gross Operating Revenue | 128.999 | 110.876 | 16 |
| 32.359 | 35.711 | 30.170 | 18 | Net Operating Revenue | 97.967 | 81.387 | 20 |
| 9.576 | 10.630 | 7.901 | 35 | Operating Profit (3) | 29.017 | 21.948 | 32 |
| (630) | (1.018) | 30 | - | Financial Result | (2.721) | (2.610) | 4 |
| 4.930 | 5.632 | 5.559 | 1 | Net Income | 15.583 | 12.650 | 23 |
| 1,12 | 1,28 | 1,27 | 1 | Net Income per Share (4) | 3,55 | 2,88 | 23 |
| | | | | Market Value (Parent | | | |
| 126.543 | 168.035 | 109.152 | 54 | Company) | 168.035 | 109.152 | 54 |
| 45 | 42 | 42 | - | Gross Margin (%) | 44 | 42 | 2 |
| 30 | 30 | 26 | 4 | Operating Margin (%) | 30 | 27 | 3 |
| 15 | 16 | 18 | (2) | Net Margin (%) | 16 | 16 | - |
| 11.809 | 12.488 | 9.548 | 31 | EBITDA R\$ million(5) | 34.781 | 26.806 | 30 |
| | | | | Financial and Economic | | | |
| | | | | Indicators | | | |
| 51,59 | 61,53 | 41,54 | 48 | Brent (US\$/bbl) | 53,54 | 36,28 | 48 |
| | | | | US Dollar Average Price - Sale | | | |
| 2,4822 | 2,3449 | 2,9773 | (21) | (R\$) | 2,4970 | 2,9732 | (16) |
| | | | | US Dollar Last Price - Sale | | | |
| 2,3504 | 2,2222 | 2,8586 | (22) | (R\$) | 2,2222 | 2,8586 | (22) |

(1) As of January 1, 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.

To facilitate comparison, the Special Purpose Companies were also included in the 3Q-2004 financial

(2) statements, and in the accumulated period January-September 2004.

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

For purposes of comparison, net income per share was recalculated for the prior periods, due to the stock

(4) split approved at the Extraordinary Shareholders Meeting on July 22, 2005.

Operating income before the financial result and equity income + depreciation/amortization/well

(5) write-offs.

EBITDA COMPONENTS

| R\$ Million | | | | | |
|--------------------|----------------------|--------------|---|----------------|---------------|
| 2Q-2005 | Third Quarter | | | Jan-Sep | |
| | 2005 | 2004 | | 2005 | 2004 |
| 8.462 | 9.353 | 7.599 | Operating Income as per Brazilian Company Law | 25.754 | 19.463 |
| 630 | 1.018 | (30) | (-) Financial Result | 2.721 | 2.610 |
| 484 | 259 | 332 | (-) Equity Income Results | 542 | (125) |
| 9.576 | 10.630 | 7.901 | Operating Profit | 29.017 | 21.948 |
| 2.233 | 1.858 | 1.647 | Depreciation & Amortization | 5.764 | 4.858 |
| 11.809 | 12.488 | 9.548 | EBITDA | 34.781 | 26.806 |
| 36 | 35 | 32 | EBITDA Margin (%) | 36 | 33 |

Growth in consolidated net income in the period ended September 30, 2005, in comparison to the same period of 2004, was mainly due to the increase in average sale prices and volumes sold, as shown below:

- R\$ 8.637 million increase in gross income, mainly due to the increase in prices and commercialized volume in the domestic and external market. The following table details the gross income variation:

| R\$ Million | | | |
|--|---------------------|---------------------------|---------------------|
| Jan-Sep 2005 / Jan-Sep 2004 VARIATION | | | |
| Analysis of Gross Income - Main Items | Net Revenues | Cost of Goods Sold | Gross Income |
| Domestic Market: | | | |
| - Effect of Volumes Sold | 1.179 | (468) | 711 |
| - Effect of Prices | 9.651 | - | 9.651 |
| . Intl. Market: | | | |
| - Effect of Export Volumes | 1.888 | (704) | 1.184 |
| - Effect of Export Price | 2.674 | - | 2.674 |
| Increased expenses: | | | |
| - Oil and Oil Product Imports | - | (1.019) | (1.019) |
| - Third-Party Services | - | (596) | (596) |
| - Domestic Government Take | - | (1.883) | (1.883) |
| - Sea Freight and Pipelines | - | (471) | (471) |
| - Salaries, Perquisites and Benefits | - | (539) | (539) |
| - Materials, Services and Depreciation | - | (733) | (733) |
| . Increase in Profitability of Distribution Segment | 718 | - | 718 |
| . Increased Operations of Commercialization Abroad | 695 | (660) | 35 |
| . Increase (Decrease) in International Sales | (124) | 92 | (32) |
| . FX Effect on Controlled Companies' Revenues and Costs Abroad | (733) | (114) | (847) |
| . Others | 632 | (848) | (216) |
| | 16.580 | (7.943) | 8.637 |

- Increased Sales Expenses (R\$ 303 million), due to the increased volume commercialized in the domestic and external markets, as well as the increase in sea freight.
- Higher General and Administrative Expenses (R\$ 853 million), due to higher expenses for salaries and benefits related to the 2004/2005 Collective Bargaining Agreement, an increase in the workforce, and expenses related to the pension and health plans following the actuarial revision in December 2004, plus the expenses for maintaining the networks and software licenses.
- Increase in other operating expenses (R\$ 969 million), mainly due to legal contingencies (R\$ 246 million), institutional relations and cultural projects (R\$ 106 million), and to the pension and health plans of retirees and pensioners following the actuarial revision that occurred in December 2004 (R\$ 596 million).
- Reduction in tax expenses (R\$ 406 million) due to the change as of August 2004 in legislation (Decree No. 5164/04) that reduced to zero the PIS/PASEP and COFINS amounts incident on financial revenues.

- Lower prospecting and exploration expenses (R\$ 306 million), mainly due to the write-off of the signing bonus of Block 34 in Angola in 2004 (R\$ 206 million) and from exploration expenses in Ecuador and the United States (R\$ 128 million).
- An R\$ 111 million decrease in the financial result, caused by losses in net financial assets exposed to exchange rate variation, following the appreciation of the Real.
- Increase in the provision for income tax and social contribution on profit in the amount of R\$ 2.720 million, due to the increase in basic net income for taxation and the impact of the provisioning for interest on own capital in June, 30th, 2005 (R\$ 2.193 million), which was lower than during the same period in 2004 (R\$ 3.290 million) because of its deductibility from the basis of calculation of the provision for income tax and social contribution on profit.
- Loss in participation in subsidiaries, mainly abroad, from January through September 2005, in relation to the same period of the prior year of R\$ 667 million. This was influenced by the impact of the appreciation of the *real* against the dollar from January through September 2005 (16.28%), when compared to the appreciation that occurred in the same period of the previous year (1.06%), which generated a negative exchange rate effect of R\$ 672 million.

PETROBRAS SYSTEM **Operating Performance**

| 2Q-2005 | Third Quarter | | | | | 2005 | Jan - Sep 2004 | % |
|--|---------------|--------------|-----------|--|--------------|--------------|----------------------|---|
| | 2005 | 2004 | % | | | | | |
| Exploration & Production - Thousand bpd | | | | | | | | |
| 1,897 | 1,889 | 1,691 | 12 | Oil and LNG production | 1,832 | 1,655 | 11 | |
| 1,730 | 1,725 | 1,523 | 13 | Domestic | 1,667 | 1,487 | 12 | |
| 167 | 164 | 168 | (2) | International | 165 | 168 | (2) | |
| 382 | 368 | 368 | - | Natural Gas Production ⁽¹⁾ | 372 | 360 | 3 | |
| 284 | 271 | 270 | - | Domestic | 274 | 265 | 3 | |
| 98 | 97 | 98 | (1) | International | 98 | 95 | 3 | |
| 2,279 | 2,257 | 2,059 | 10 | Total Production | 2,204 | 2,015 | 9 | |

(1) Does not include liquid gas and includes reinjected gas

Average Sales Price - US\$ per bbl

| | | | | Oil (US\$/bbl) | | | | |
|-------|-------|-------|----|------------------------|-------|-------|----|--|
| 43,04 | 54,24 | 36,13 | 50 | Brazil ⁽²⁾ | 45,17 | 32,94 | 37 | |
| 34,05 | 37,38 | 28,03 | 33 | International | 34,25 | 26,01 | 32 | |
| | | | | Natural Gas (US\$/bbl) | | | | |
| 12,23 | 13,09 | 10,62 | 23 | Brazil ⁽³⁾ | 12,39 | 11,13 | 11 | |
| 9,16 | 10,13 | 6,60 | 53 | International | 9,12 | 6,82 | 34 | |

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

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

Refining, Transport and Supply - Thousands bpd

| | | | | | | | | |
|--------------|--------------|--------------|-------------|---|--------------|--------------|-------------|--|
| 333 | 393 | 439 | (10) | Crude Oil Imports | 350 | 450 | (22) | |
| 83 | 115 | 166 | (31) | Oil Product Imports | 82 | 101 | (19) | |
| | | | | Import of Gas, Alcohol & Others | 130 | 123 | 6 | |
| 137 | 139 | 137 | 1 | Crude Oil Exports | 249 | 196 | 27 | |
| 343 | 247 | 208 | 19 | Oil Product Exports | 234 | 240 | (3) | |
| 221 | 244 | 258 | (5) | Other Exports | 12 | 5 | 140 | |
| 9 | 18 | 5 | 260 | | | | | |
| (20) | 138 | 271 | (49) | Net Imports | 67 | 233 | (71) | |
| 1,767 | 1,907 | 1,763 | 8 | Output of Oil Products | 1,830 | 1,785 | 3 | |
| 1,668 | 1,804 | 1,659 | 9 | Brazil | 1,727 | 1,685 | 2 | |
| 99 | 103 | 104 | (1) | International | 103 | 100 | 3 | |
| | | | | Primary Processed Installed Capacity | 2,114 | 2,114 | - | |

| | | | | | | | |
|-------|--------------|-------|-----|--------------------------------------|--------------|-------|---|
| 1,985 | 1,985 | 1,985 | - | Brazil⁽⁴⁾ | 1,985 | 1,985 | - |
| 129 | 129 | 129 | - | International | 129 | 129 | - |
| | | | | Use of Installed Capacity (%) | | | |
| 83 | 91 | 86 | 5 | Brazil | 87 | 86 | 1 |
| 75 | 77 | 79 | (2) | International | 78 | 76 | 2 |
| | | | | Domestic Crude as % of Total | | | |
| 81 | 80 | 77 | 3 | Feedstock Processed | 80 | 76 | 4 |

(4) As per ownership recognized by the ANP.

Costs - US\$/barrel

| | | | | | | | |
|-------|--------------|-------|----|--|--------------|-------|----|
| | | | | Lifting Costs: | | | |
| | | | | Brazil⁽⁵⁾ | | | |
| 4,88 | 5,83 | 4,09 | 43 | w/out Govt. Participation | 5,54 | 4,18 | 33 |
| 13,29 | 15,48 | 10,71 | 45 | with Govt. Participation | 14,12 | 10,18 | 39 |
| 2,74 | 2,78 | 2,53 | 10 | International | 2,69 | 2,49 | 8 |
| | | | | Refining Cost | | | |
| 2,06 | 1,93 | 1,32 | 46 | Brazil⁽⁵⁾ | 1,93 | 1,29 | 50 |
| 1,34 | 1,41 | 1,10 | 28 | International | 1,29 | 1,08 | 19 |
| | | | | Overhead Corporate (US\$ million) - Holding | | | |
| 335 | 400 | 235 | 70 | | 1,048 | 650 | 61 |

(5) Considers revision of accounting criteria of the indicator through appropriation of expenses made for scheduled stops and accumulation of expenses for the Pension and Health Plans as per US GAAP.

| 2Q-2005 | Third Quarter | | | | Jan - Sep | | |
|-------------------------------------|---------------|--------------|----------|-----------------------------------|--------------|--------------|----------|
| | 2005 | 2004 | % | | 2005 | 2004 | % |
| Sales Volume - Thousands bpd | | | | | | | |
| 1.665 | 1.720 | 1.704 | 1 | Total Oil Products | 1.658 | 1.619 | 2 |
| 23 | 26 | 38 | (32) | Alcohol, Nitrogen and Others | 26 | 31 | (16) |
| 222 | 235 | 218 | 8 | Natural Gas | 224 | 205 | 9 |
| 1.910 | 1.981 | 1.960 | 1 | Total Domestic Market | 1.908 | 1.855 | 3 |
| 572 | 509 | 471 | 8 | Exports | 496 | 441 | 12 |
| 334 | 413 | 417 | (1) | International Sales | 388 | 424 | (8) |
| 906 | 922 | 888 | 4 | Total International Market | 884 | 865 | 2 |
| 2.816 | 2.903 | 2.848 | 2 | Total | 2.792 | 2.720 | 3 |

Exploration & Production Th. Barrels/Day

Production of domestic oil and LNG from January through September 2005 increased 12% in relation to the period from January through September 2004, due to the coming on line of FPSO-MLS (Marlim Sul), in June 2004, and platforms P-43 (Barracuda) and P-48 (Caratinga), in December 2004 and February 2005, respectively.

In 3Q-2005, production of domestic oil and LNG was relatively flat compared to production in 2Q-2005.

From January to September 2005, international oil production fell 2% in relation to the same period of 2004, due to the natural decline in some mature fields in Angola and Argentina. Gas production grew 3% because of the increase in production in Bolivia, following the increase in gas demand in Brazil and Argentina.

Oil and LNG Production

In comparison to 2Q-2005, international oil production fell 2% due to the closure of fields during the passage of Hurricanes Rita and Katrina in the United States. Gas production remained stable.

Refining, Transport and Supply Th. Barrels/Day

The throughput (primary processing) at the refineries in Brazil from January through September 2005 increased 1% in relation to the same period of the previous year.

In relation to 2Q-2005, the throughput in 3Q-2005 increased 12% due to the programmed stops for corrective maintenance in 2Q-2005 at RLAM, REDUC, REGAP, and REPLAN.

Throughput of our refineries abroad from January through September 2005, increased 2.9% in relation to the same period of 2004 due to the higher production of oil products in Bolivia, especially diesel to meet higher demand in the local market as well as the export of special gasoline and reconstituted oil.

In 3Q-2005, feedstock processed by our international refineries increased 3.3% in relation to 2Q-2005, due

to the realization of the test for feedstock load in the refineries in Bolivia.

Costs

Lifting Cost (US\$/Barrel)

The per/barrel lifting cost in Brazil, before government take, increased 33% during the January -September 2005 period as compared to the same period in 2004. Discounting the effects of the *real* \$ 16% appreciation associated with the percent of expenses in domestic currency on the expenses of this activity, the unit lifting cost increased 11% in relation to January through September 2004. This was primarily due to the rise in service costs linked to the increase in international oil prices, particularly for exploratory drilling rigs and contracted platforms, higher expenses for maintenance and chemical products for unblocking and elimination of toxic gases, the increases incurred with salaries and benefits in relation to the 2004/2005 Collective Bargaining Agreement, the increased workforce, and the actuarial revision at the end of 2004, which raised the expenses provisioned for the health and pension plans also contributed to the higher per unit costs.

In 3Q-2005, the 19% increase in the per/barrel lifting cost in Brazil, without government take when compared to 2Q-2005, is mainly due to the higher expenses for third-party chartering of platforms. Discounting the effects of the 6% appreciation of the *real*, the unit lifting cost increased 13% in relation to 2Q-2005.

From January through September 2005, the unit lifting cost in Brazil, with government take, grew 39% in relation to the same period of 2004, which was a result of the already-mentioned increase in operating expenses, as well as the higher expenses with government take due to the increase in the average reference price for domestic oil, based on the variations that occurred in prices in the international market, and the *real* \$ 16% appreciation against the U.S. dollar

In comparison with 2Q-2005, the lifting cost in Brazil in 3Q-2005, with government take, increased 16%, impacted by the increase in the average reference price for domestic oil

From January through September 2005, the international unit lifting cost rose 8% in relation to the same period of the prior year, due to higher expenses with contractors, personnel, and equipment maintenance in Argentina.

In 3Q-2005, the international unit lifting cost rose 1.5% over 2Q-2005, due to higher expenses for equipment maintenance services and personnel in Colombia.

Refining Cost (US\$/Barrel)

The unit refining cost in Brazil from January through September 2005 increased 50% in relation to the same period of 2004, due to higher expenses with programmed stops for corrective maintenance at RPBC, RLAM, REDUC and REPLAN It was also affected by the increased expenses for personnel related to the increases in salaries and benefits approved in the 2004/2005 Collective Bargaining Agreement, and the actuarial revision at the end of 2004 of the expenses provisioned for the health and pension plans Discounting the effects of the *real s*

16% appreciation, associated with the percent of expenses in domestic currency on the expenses of this activity, the unit refining cost increased 29% in relation to January through September 2004.

In comparison to 2Q-2005, the unit refining cost in Brazil in 3Q-2005 fell 6%, due mainly to the 12% increase in the volume processed, as well as lower consumption of catalyzers and chemical products in the current quarter. This reduction was partly offset by the growth in expenses for programmed stops for preventive maintenance at RPBC and REDUC.

From January through September 2005, the average international unit refining cost increased 19% over the same period of 2004, due to higher expenses with personnel, electricity and third-party services at the refineries in Argentina, plus the expenses related to equipment maintenance, electricity and personnel in Bolivia.

The average international unit refining cost in 3Q-2005 increased 5% in relation to 2Q-2005, due to higher expenses for personnel, energy and equipment maintenance services at the refineries in Argentina and Bolivia.

Overhead (US\$ millions)

In comparison to January through September 2004, corporate overhead rose 61% due to higher expenses for contracted services, mainly those linked to data processing, safety, environment and health, expenses related to sponsorships, publicity and institutional propaganda, expenses connected to maintenance and infrastructure of the administrative buildings, the increased expenses for salaries and benefits approved in the 2004/2005 Collective Bargaining Agreement, and revision of the actuarial calculation linked to the health and pension plans. Discounting the effects of the 16% appreciation of the *real*, with all the expenses in this area in *reais*, overhead increased 38% in relation to January through September 2004.

In comparison to 2Q-2005, corporate overhead in 3Q-2005 increased 19%, due mainly to higher expenses with services contracted for publicity and advertising, sponsorships, health, safety and the environment, and consulting in the area of data processing. Discounting the effects of the 6% appreciation of the *real*, with all the expenses in this area in *reais*, overhead increased 12% in relation to 2Q-2005.

Sales Volume Th. Barrels/Day

The sales volume of oil products increased 2% in the domestic market from January through September 2005 in relation to the same period of the previous year, especially in increased sales of gasoline, diesel oil and jet fuel, which were offset by the reduction in sales of fuel oil. The retraction in consumption of fuel oil was due to strong competition from substitute products such as coal, coke, biomass, wood, and natural gas.

Consolidated Statement of Results by Business Area

| Result by Business Area R\$ million (1) | | | | | | | |
|---|---------------|-------|-------|--------------------------|---------|---------|------|
| 2Q-2005 (4) | Third Quarter | | | | Jan-Sep | | |
| | 2005 | 2004 | % | | 2005 | 2004 | % |
| | | | | EXPLORATION & | | | |
| 5.807 | 7.348 | 6.101 | 20 | PRODUCTION | 17.739 | 13.577 | 31 |
| 1.941 | 784 | 270 | 190 | SUPPLY | 4.284 | 1.715 | 150 |
| 64 | (42) | (98) | (57) | GAS & ENERGY | (148) | (424) | (65) |
| 123 | 205 | 110 | 86 | DISTRIBUTION (3) | 488 | 356 | 37 |
| 168 | 1 | (30) | (103) | INTERNATIONAL (2) | 520 | 228 | 128 |
| (1.826) | (2.014) | (412) | 389 | CORPORATE | (5.044) | (2.372) | 113 |
| | | | | ELIMINATIONS AND | | | |
| (1.347) | (650) | (382) | 70 | ADJUSTMENTS | (2.256) | (430) | 425 |
| | | | | CONSOLIDATED NET | | | |
| 4.930 | 5.632 | 5.559 | 1 | INCOME | 15.583 | 12.650 | 23 |

(1) Financial statements by business area and their respective comments are presented starting on page 19.

(2) In the International business area, comparability between periods is influenced by the exchange rate variation, due to the fact that all operations abroad are in dollars or in the currency of the country of origin in which each company is headquartered, and there may be significant variations in *reais*, mainly due to the impacts of exchange rate variations.

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

(4) With the goal of better transparency and comparability, the results by business area of 1Q-2005 and 2Q-2005 are being presented again, considering adjustments arising from better analysis of some processes of business segmentation in the new Company Integrated System, mainly in the Gas & Energy area, as well as consolidation of the Special Purpose Companies, within the context of CVM Instruction 408.

RESULTS 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 From January through September 2005, net income reported by the Exploration & Production business area was R\$ 17.739 million, 31% higher than the net income reported in the same period of the prior year (R\$ 13.577 million). This was due to the R\$ 7.208 million increase in gross income reported from sales and transfers of oil, which reflected the increase in international prices and the increases of 12% in oil and LNG production, and 3% in natural gas production, partially offset by the 16% appreciation in the average rate of the *real* against the U.S. dollar during the period and the lower value of heavy crude in the international market in comparison with lighter crudes.

The spread between the average price of domestic oil sold/transferred and the average Brent price rose from US\$ 3.34/bbl from January through September 2004, to US\$ 8.37/bbl from January through September 2005.

In 3Q-2005, net income reported by the Exploration & Production area was R\$ 7.348 million, 27% higher than net income reported in the previous quarter (R\$ 5.807 million), due to the R\$ 2.011 million growth in gross income, reflecting the increase in international oil prices, partially offset by a 5% reduction in natural gas production

and the 6% appreciation in the average rate of the *real* against the U.S. dollar. The spread between the average price of domestic oil sold and transferred and the average Brent price fell from US\$ 8.55/bbl in 2Q-2005, to US\$ 7.30/bbl in 3Q-2005.

SUPPLY From January through September 2005, net income reported by the Supply area was R\$ 4.284 million, 150% higher than net income reported in the same period of the prior year (R\$ 1.715 million), an effect of the R\$ 3.827 million increase in gross income, with particular note of the following:

- Increase in the average realization value of oil products commercialized in the domestic and external markets;
- Increase of 2% in the volume of oil products sold in the domestic and external markets;
- Improvement in the refinery production profile, decreasing the need to import higher added- value oil products;
- Increase of 4% in the share of domestic oil in the processed throughput by the refineries.

These items were partially offset by the following:

- Increase in the cost of acquisition and transfer of oil and oil products, pressured by the increase of international prices, despite the 16% appreciation in the average rate of the *real* against the U.S. dollar, and the widening of the spread between light and heavy crude oil;
- Increase in the cost of sea freight;

- Rise in the refining cost mainly due to the increased complexity of the refining facilities.

In 3Q-2005, net income reported by the Supply area was R\$ 784 million, 60% lower than net income reported in the prior period (R\$ 1.941 million), due to the R\$ 2.363 million reduction in gross income, which was impacted by the following:

- Increase in the cost of acquisition and transfer of oil and oil products, pressured by the increase in international prices;
- Increase of 39% in the volume of oil product imports, and 18% in the volume of oil imports;
- Realization of inventories made at elevated costs in the previous period.

GAS AND ENERGY - From January to September 2005, the Gas & Energy area reported a loss of R\$ 148 million, compared to a loss of R\$ 424 million in the same period of the previous year, caused by the positive R\$ 593 million variation in the net financial result that reflected the 22% appreciation in the final rate of the *real* against the U.S. dollar, mainly on debt related to construction of the Bolivia-to-Brazil Gas Pipeline.

This result was partially offset by the R\$ 368 million increase in operating expenses due to the R\$ 284 million increase in operating expenses related to thermoelectric plants, principally because of idleness.

In 3Q-2005, the Gas & Energy business area reported a loss of R\$ 42 million, compared to net income of R\$ 64 million in the previous quarter, due to the negative R\$ 359 million variation in the net financial result that considered the lower appreciation of the final rate of the *real* against the U.S. dollar in this quarter.

These items were partially offset by the R\$ 169 million reduction in expenses with non-controlling shareholder participation, due to the lower results reported by Transportadora Brasileira Gasoduto Bolívia Brasil S.A. - TBG, a function of the lower rate of appreciation of the *real* against the U.S. dollar in this quarter.

DISTRIBUTION In line with the strategic objectives to increase share in the LPG distribution segment and consolidation of the distribution market for automotive fuel in determined regions of Brazil, the Distribution business now includes operations of the company Liquigás Distribuidora S.A., as of the acquisition in August 2004 of Agip do Brasil S.A.

From January through September 2005, the Distribution business area reported net income of R\$ 488 million, 37% higher than net income in the same period of the prior year (R\$ 356 million), due to the R\$ 718 million increase in gross income, highlighting consolidation of the company Liquigás, with positive impacts in volumes sold, which were 16% higher than in the same period of the prior year.

These impacts were partially offset by R\$ 449 million growth in operating expenses, highlighting the growth in expenses related to commercialization and distribution of products, and personnel expenses, which were also affected by the Liquigás consolidation.

Share in the fuel distribution market from January through September 2005 was 33.8%, including Liquigás, while in the same period of the previous year it was 34.1%. The effects of consolidation of Liquigás as of August 2004 represent growth of R\$ 406 million in gross income and growth of R\$ 54 million in net income of the segment.

In relation to the previous quarter when net income reported by the Distribution business area was R\$ 123 million, net income in 3Q-2005 was 67% higher, due to the R\$ 80 million increase in gross income, mainly as a result of the 4.8% increase in volumes sold.

Share in the fuel market was 33.6% in 3Q-2005, including Liquigás, and 34.3% in 2Q-2005.

INTERNATIONAL From January to September 2005, the International business area reported net income of R\$ 520 million, 128% higher than net income of R\$ 228 million reported in the same period of last year.

This increase in net income is mainly due to the following:

- Reduction of R\$ 83 million in operating expenses, mainly exploration expenses, considering recognition in the previous year of the write-off of the acquisition bonus in block 34 in Angola and exploration expenses of block 31 in Ecuador;
- Decrease of R\$ 141 million in financial expenses, due to the 22% appreciation of the *real* against the U.S. dollar, and the 2% depreciation of the peso against the U.S. dollar. Operating losses related to PEPISA

derivatives reached R\$ 439 million (R\$ 472 million in 2004).

These items were partially offset by the R\$ 33 million reduction in gross income due to the effect of the 22% appreciation of the *real* against the U.S. dollar in the exchange rate conversion of the financial statements, which exceeded the effect of the increase of international oil prices.

In 3Q-2005, the International business area reported net income of R\$ 1 million, 99% lower than net income of R\$ 168 million reported in the previous quarter This reduction in net income was mainly due to the following:

- Increase of R\$ 106 million in operating expenses, mainly due to the provision for losses in company investments in PEPSA, and by the loss from the write-off of the fiscal credit in Ecuador;
- Increase of R\$ 102 million in financial expenses, mainly due to higher losses in derivative operations at PEPSA in the amount of R\$ 33 million, and losses in financial operations in Venezuela in the amount of R\$ 34 million.

CORPORATE The units that comprise the Corporate segment of the PETROBRAS System generated a loss of R\$ 5.044 million from January to September 2005, 113% higher than the loss reported from January to September 2004 (R\$ 2.372 million), due to the following:

- Growth in corporate overhead due to higher expenses for personnel, publicity and institutional advertising, and because of the actuarial revision of the expenses provisioned for the health and pension plans of retirees and pensioners;
- Increase of R\$ 1.211 million in net financial expenses, caused by losses in net financial assets exposed to exchange rate variation, following the appreciation of the *real*;
- Loss of R\$ 793 million in the exchange rate conversion on company investments abroad from January to September 2005, due to the 16% appreciation of the final rate of the *real* against the dollar.

These factors were partially offset by the R\$ 388 million decrease in tax expenses, due to the validity as of August 2, 2004, of Decree 5,164/04, that reduced to zero the contribution amounts for PIS/PASEP and COFINS incident on financial revenues.

In 3Q-2005, the loss reported by the Corporate area was R\$ 2.014 million, 10% higher than the loss reported in the previous quarter (R\$ 1.826 million). In particular, the R\$ 834 million impact on the results of income tax and social contribution was due to the fiscal savings of R\$ 746 million in 2Q-2005 following the provisioning of interest on own capital.

These items were partially offset by the positive R\$ 356 million variation in the exchange rate conversion on Company investments made abroad in 3Q-2005, due to the lower appreciation of the *real* against the dollar.

Consolidated Debt

| | R\$ million | | |
|---|--|-----------|------|
| | 9/30/2005 | 6/30/2005 | % |
| Short-Term Debt (1) | 8.991 | 9.645 | (7) |
| Long-Term Debt (1) | 38.422 | 40.866 | (6) |
| Total | 47.413 | 50.511 | (6) |
| Net Debt (2) | 26.203 | 33.316 | (21) |
| Net Debt/(Net Debt + Shareholders' Equity)⁽¹⁾ | 26% | 32% | (7) |
| Total Net Liabilities (1) (3) | 153.931 | 151.651 | 2 |
| Capital Structure | | | |
| (Third Parties Net / Total Liabilities Net) | 51% | 54% | (3) |
| | Includes debt contracted through leasing contracts of R\$ 2.980 million on September 30, 2005, and R\$ 3.269 million on June 30, 2005. | | |
| (1) | 30, 2005, and R\$ 3.269 million on June 30, 2005. | | |
| (2) | Total debt - cash and cash equivalents | | |
| (3) | Total liabilities net of cash/cash equivalents. | | |

Net debt of the PETROBRAS System on September 30, 2005, was R\$ 26.203 million, a 21% reduction from June 30, 2005. Cash flow generated by operations, combined with the continuing appreciation of the *real* against the dollar (most of our debt is denominated in U.S. Dollars and therefore declines as the Real strengthens versus the Dollar) has contributed to the reduction in debt. Our cash flow to debt, as measured by Net Debt/EBITDA for the prior twelve month, fell from 0.75 as of June 30, 2005 to 0.57 as of September 30, 2005. Additionally most of our debt continues to be long-term. The capital structure represented by third parties was 51% on September 30, 2005, with a reduction of 3 percentage points from June 30, 2005.

Total gross debt (breakdown by period)

Consolidated Investments

| R\$ Million | | | | | |
|---|---------------|------------|---------------|------------|-------------|
| | 2005 | | Jan-Sep 2004 | | Δ% |
| | 2005 | % | 2004 | % | |
| Own Investments | 14.751 | 87 | 14.490 | 92 | 2 |
| Exploration & Production | 8.907 | 53 | 8.693 | 55 | 2 |
| Supply | 2.184 | 13 | 2.674 | 17 | (18) |
| Gas and Energy | 1.098 | 6 | 235 | 2 | 367 |
| International | 1.871 | 11 | 1.429 | 9 | 31 |
| Distribution | 368 | 2 | 1.107 | 7 | (67) |
| Corporate | 323 | 2 | 352 | 2 | (8) |
| Special Purpose Companies (SPCs) | 1.914 | 11 | 591 | 4 | 224 |
| Ventures under Negotiation | 169 | 1 | 422 | 3 | (60) |
| Project Finance | 87 | 1 | 162 | 1 | (46) |
| Exploration & Production | 87 | 1 | 162 | 1 | (46) |
| Espadarte/Marimbá/Voador | 52 | 1 | 25 | - | 108 |
| Cabiúnas | - | - | 45 | - | - |
| Marlim / NovaMarlim Petróleo | - | - | 17 | - | - |
| PCGC | 35 | - | 75 | 1 | (53) |
| Total Investments | 16.921 | 100 | 15.665 | 100 | 8 |

| R\$ Million | | | | | |
|--------------------------|--------------|------------|--------------|------------|-----------|
| | 2005 | | Jan-Sep 2004 | | Δ% |
| | 2005 | % | 2004 | % | |
| International | | | | | |
| Exploration & Production | 1.633 | 87 | 1.215 | 85 | 34 |
| Supply | 114 | 6 | 29 | 2 | 293 |
| Gas and Energy | 58 | 3 | 61 | 4 | (5) |
| Distribution | 21 | 1 | 25 | 2 | (16) |
| Others | 45 | 3 | 99 | 7 | (55) |
| Total Investments | 1.871 | 100 | 1.429 | 100 | 31 |

| R\$ Million | | | | | |
|---|------|----|--------------|----|------|
| | 2005 | | Jan-Sep 2004 | | Δ% |
| | 2005 | % | 2004 | % | |
| Special Purpose Companies (SPCs) | | | | | |
| Marlim Leste | 514 | 27 | - | - | - |
| PDET Offshore | 284 | 15 | - | - | - |
| Barracuda & Caratinga | 267 | 14 | 566 | 96 | (53) |
| Malhas - Nordeste | 373 | 19 | - | - | - |
| Malhas - Sudeste | 324 | 17 | - | - | - |

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| | | | | | |
|--------------------------|--------------|------------|------------|------------|------------|
| Cabiúnas | 5 | - | 25 | 4 | (80) |
| Amazônia | 147 | 8 | - | - | - |
| Total Investments | 1.914 | 100 | 591 | 100 | 224 |

In line with its strategic objectives, PETROBRAS acts in consortiums with other companies as a concessionaire of oil and natural gas exploration, development and production rights. The Company currently has partnerships in 101 blocks through 63 consortiums. Total investment of US\$ 8,490 million is projected for these undertakings.

In fulfillment of the goals outlined in its strategic plan, PETROBRAS continues to prioritize investments in developing its oil and natural gas production capabilities through its own investments and the structuring of undertakings with partners. From January through September 2005, total investments were R\$ 16.921 million, which is an 8% increase over the resources invested in the same period of 2004.

PETROBRAS

Financial Statements

Consolidated Financial Results

| R\$ Million | | | | | |
|------------------------|---------------------|---------------------|---|---------------------|---------------------|
| 2Q-2005 ⁽¹⁾ | Third Quarter | | | Jan - Sep | |
| | 2005 ⁽¹⁾ | 2004 ⁽²⁾ | | 2005 ⁽¹⁾ | 2004 ⁽²⁾ |
| 42.646 | 46.555 | 40.575 | Gross Operating Revenues | 128.999 | 110.876 |
| (10.287) | (10.844) | (10.405) | Sales Deductions | (31.032) | (29.489) |
| 32.359 | 35.711 | 30.170 | Net Operating Revenues | 97.967 | 81.387 |
| (17.939) | (20.601) | (17.387) | Cost of Goods Sold | (55.050) | (47.107) |
| 14.420 | 15.110 | 12.783 | Gross Profit | 42.917 | 34.280 |
| | | | Operating Expenses | | |
| (1.251) | (1.247) | (1.510) | Sales | (3.768) | (3.465) |
| (1.261) | (1.322) | (1.040) | General & Administrative | (3.823) | (2.970) |
| (341) | (386) | (651) | Cost of Prospecting, Drilling & Lifting | (970) | (1.276) |
| (222) | (248) | (191) | Research & Development | (664) | (509) |
| (199) | (202) | (218) | Taxes | (620) | (1.026) |
| (1.570) | (1.075) | (1.272) | Other | (4.055) | (3.086) |
| | | | Net Financial Expenses | | |
| (81) | (132) | (64) | Income | 62 | 1.396 |
| (1.063) | (1.065) | (952) | Expenses | (3.480) | (3.910) |
| (499) | (1.783) | (226) | Monetary & FX Correction - Assets | (2.169) | 451 |
| 1.013 | 1.962 | 1.272 | Monetary & FX Correction - Liabilities | 2.866 | (547) |
| (630) | (1.018) | 30 | | (2.721) | (2.610) |
| (5.474) | (5.498) | (4.852) | | (16.621) | (14.942) |
| (484) | (259) | (332) | Gains from Investments in Subsidiaries | (542) | 125 |
| 8.462 | 9.353 | 7.599 | Operating Profit | 25.754 | 19.463 |
| (79) | 14 | 24 | Non-Operating Income (Expenses) | (192) | (115) |
| (2.103) | (3.481) | (1.307) | Income Tax & Social Contribution | (8.392) | (5.672) |
| (1.350) | (254) | (757) | Minority Interest | (1.587) | (1.026) |
| 4.930 | 5.632 | 5.559 | Net Income | 15.583 | 12.650 |

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

(2) To facilitate comparability, the Special Purpose Companies were also included in the financial statements of 3Q-2004, and in the accumulated period Jan-Sept. 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 Balance Sheet

| Assets | R\$ million | |
|---|--------------------|------------------|
| | 9/30/2005 | 6/30/2005 |
| Current Assets | 55.614 | 50.469 |
| Cash and Cash Equivalents | 21.210 | 17.195 |
| Accounts Receivable | 11.779 | 11.388 |
| Inventories | 14.657 | 14.209 |
| Others | 7.968 | 7.677 |
| Non-Current Assets | 14.675 | 13.935 |
| Petroleum & Alcohol Account | 765 | 758 |
| Advances to Suppliers | 661 | 715 |
| Marketable Securities | 739 | 947 |
| Investments in Companies to be Privatized | 384 | 379 |
| Deferred Taxes and Social Contribution | 2.577 | 2.418 |
| Advance for Pension Plan | 1.203 | 1.178 |
| Prepaid Expenses | 1.465 | 1.559 |
| Accounts Receivable | 1.341 | 1.082 |
| Deposits - Legal Matters | 2.093 | 1.990 |
| Others | 3.447 | 2.909 |
| Fixed Assets | 101.872 | 101.173 |
| Investments | 1.975 | 2.136 |
| Property, Plant & Equipment | 98.735 | 97.889 |
| Deferred | 1.162 | 1.148 |
| Total Assets | 172.161 | 165.577 |
| | | |
| Liabilities | R\$ million | |
| | 9/30/2005 | 6/30/2005 |
| Current Liabilities | 35.077 | 32.451 |
| Short-Term Debt | 8.391 | 9.001 |
| Suppliers | 9.839 | 8.384 |
| Taxes and Social Contribution Payable | 8.867 | 7.658 |
| Project Finance and Joint Ventures | 855 | 1.173 |
| Pension Fund Obligations | 396 | 385 |
| Dividends | 2.277 | 2.271 |
| Others | 4.452 | 3.579 |
| Long-Term Liabilities | 54.893 | 56.554 |
| Long-Term Debt | 36.042 | 38.241 |
| Pension Fund Obligations | 1.702 | 1.390 |
| Health Care Benefits | 6.736 | 6.397 |
| Deferred Taxes and Social Contribution | 7.407 | 7.194 |
| Others | 3.006 | 3.332 |

| | | |
|--------------------------------------|----------------|----------------|
| Provision for Future Earnings | 544 | 521 |
| Minority Interest | 5.895 | 5.951 |
| Shareholders Equity | 75.752 | 70.100 |
| Corporate Capital | 33.235 | 33.235 |
| Reserves | 26.934 | 26.914 |
| Net Income | 15.583 | 9.951 |
| Total Liabilities | 172.161 | 165.577 |

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

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

Consolidated Cash Flow Statement

| R\$ million | | | | | |
|------------------------|---------------------|---------------------|---|---------------------|---------------------|
| 2Q-2005 ⁽¹⁾ | Third Quarter | | | Jan-Sep | |
| | 2005 ⁽¹⁾ | 2004 ⁽²⁾ | | 2005 ⁽¹⁾ | 2004 ⁽²⁾ |
| 4.930 | 5.632 | 5.559 | Net Income (Loss) | 15.583 | 12.650 |
| 5.588 | 5.484 | 1.564 | (+) Adjustments | 14.274 | 5.045 |
| 2.233 | 1.858 | 1.647 | Depreciation & Amortization | 5.764 | 4.858 |
| (5) | (7) | (5) | Petroleum & Alcohol Account | (16) | (65) |
| (3.227) | (231) | (2.087) | Charges on Financing and Connected Companies | (3.199) | 2.270 |
| 1.350 | 254 | 757 | Minority Interest | 1.587 | 1.026 |
| 484 | 259 | 332 | Result of Participation in Material Investments | 542 | (125) |
| 467 | 152 | 442 | Deferred Income Tax and Social Contribution | 1.155 | 1.520 |
| (184) | (448) | (1.638) | Inventory Variation | (553) | (4.195) |
| 754 | 1.549 | 4.851 | Supplier Variation | 463 | 3.098 |
| 3.716 | 2.098 | (2.735) | Other Adjustments | 8.531 | (3.342) |
| 10.518 | 11.116 | 7.123 | (=) Net Cash Generated by Operating Activities | 29.857 | 17.695 |
| 6.285 | 4.324 | 4.778 | (-) Cash Used for Cap.Expend. | 15.385 | 14.307 |
| 4.272 | 3.788 | 2.568 | Investment in E&P | 10.732 | 8.917 |
| 781 | 775 | 1.812 | Investment in Refining & Transport | 2.384 | 3.529 |
| 384 | 499 | 533 | Investment in Gas and Energy | 1.200 | 900 |
| (32) | (30) | 12 | Dividends | (71) | (55) |
| 880 | (708) | (147) | Other Investments | 1.140 | 1.016 |
| 4.233 | 6.792 | 2.345 | (=) Free Cash Flow | 14.472 | 3.388 |
| 4.666 | 2.777 | 3.860 | (-) Cash Used in Financing Activities | 11.473 | 10.486 |
| 2.859 | 2.564 | 3.830 | Financing | 6.372 | 5.023 |
| 1.807 | 213 | 30 | Dividends | 5.101 | 5.463 |
| (433) | 4.015 | (1.515) | (=) Net Cash Generated in the Period | 2.999 | (7.098) |
| 17.628 | 17.195 | 21.994 | Cash at the Beginning of Period | 18.211 | 27.577 |
| 17.195 | 21.210 | 20.479 | Cash at the End of Period | 21.210 | 20.479 |

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

(2) To facilitate comparability, the Special Purpose Companies were also included in the financial statements of 3Q-2004, and in the accumulated period Jan-Sept. 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 Statement of Added Value

| Description | R\$ million | |
|--|----------------------------|----------------------------|
| | Jan-Sep | |
| | 2005 ⁽¹⁾ | 2004 ⁽²⁾ |
| Sales of Products and Services and Non-Operating Revenues | 129.262 | 110.389 |
| Raw Materials Used | (4.074) | (4.981) |
| Products for Resale | (20.364) | (23.130) |
| Materials, Energy, Services & Others | (15.782) | (11.633) |
| Added Value Generated | 89.042 | 70.645 |
| Depreciation & Amortization | (5.764) | (4.858) |
| Participation in Related Companies, Goodwill & Negative Goodwill | (542) | 125 |
| Financial Result | (2.107) | 1.848 |
| Rent and Royalties | 374 | 281 |
| Total Distributable Added Value | 81.003 | 68.041 |
| Distribution of Added Value | | |
| Personnel | | |
| Salaries, Benefits and Charges | 6.089 | 4.699 |
| | 6.089 | 4.699 |
| Government Entities | | |
| Taxes, Fees and Contributions | 36.483 | 33.898 |
| Government Take | 10.463 | 7.991 |
| | 46.946 | 41.889 |
| Financial Institutions and Suppliers | | |
| Financial Expenses, Interest, Rent & Freight | 10.798 | 7.777 |
| Shareholders | | |
| Dividends / Interest on Own Capital | 2.193 | 3.290 |
| Retained Earnings | 13.390 | 9.360 |
| | 15.583 | 12.650 |
| Minority Interest | 1.587 | 1.026 |
| | 17.170 | 13.676 |

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

2) To facilitate comparability, the Special Purpose Companies were also included in the financial statements the accumulated period Jan- Sept. 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 - 09.30.2005

| R\$ Million | | | | | | | | |
|---|----------------|----------------|--------------------|----------------|----------------|----------------|-----------------|-----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| INCOME STATEMENTS | | | | | | | | |
| Net Operating Revenues | 52.411 | 78.906 | 5.749 | 27.844 | 8.124 | - | (75.067) | 97.967 |
| Intersegments | 49.454 | 21.817 | 1.708 | 406 | 1.682 | - | (75.067) | - |
| Third Parties | 2.957 | 57.089 | 4.041 | 27.438 | 6.442 | - | - | 97.967 |
| Cost of Goods Sold | (21.799) | (69.832) | (4.680) | (25.115) | (5.172) | - | 71.548 | (55.050) |
| Gross Profit | 30.612 | 9.074 | 1.069 | 2.729 | 2.952 | - | (3.519) | 42.917 |
| Operating Expenses | (2.039) | (2.894) | (1.236) | (1.886) | (1.285) | (4.653) | 93 | (13.900) |
| Sales, General & Administrative | (632) | (2.198) | (646) | (1.702) | (789) | (1.717) | 93 | (7.591) |
| Taxes | (11) | (58) | (37) | (122) | (75) | (317) | - | (620) |
| Exploration, Drilling and Lifting Costs | (810) | - | - | - | (160) | - | - | (970) |
| Research & Development | (261) | (88) | (40) | (2) | (3) | (270) | - | (664) |
| Others | (325) | (550) | (513) | (60) | (258) | (2.349) | - | (4.055) |
| Operating Profit (Loss) | 28.573 | 6.180 | (167) | 843 | 1.667 | (4.653) | (3.426) | 29.017 |
| Interest Income (Expenses) | (572) | 204 | 619 | (80) | (834) | (2.058) | - | (2.721) |
| Equity Income | - | 172 | (43) | - | 122 | (793) | - | (542) |
| Non-operating Income (Expense) | (165) | (16) | (13) | (4) | 4 | 2 | - | (192) |
| Income before Taxes and Minority Interests | 27.836 | 6.540 | 396 | 759 | 959 | (7.502) | (3.426) | 25.562 |
| Income Tax & Social Contribution | (9.090) | (2.172) | (122) | (271) | (365) | 2.458 | 1.170 | (8.392) |
| Minority Interests | (1.007) | (84) | (422) | - | (74) | - | - | (1.587) |
| Net Income (Loss) | 17.739 | 4.284 | (148) | 488 | 520 | (5.044) | (2.256) | 15.583 |

Consolidated Result by Business Area - 09.30.2004

R\$ Million

| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
|---|----------------|----------------|---------------------------------|-----------------|----------------|----------------|-----------------|-----------------|
| INCOME STATEMENTS | | | | | | | | |
| Net Operating Revenues | 41.425 | 61.047 | 4.386 | 20.392 | 8.248 | - | (54.111) | 81.387 |
| Intersegments | 35.760 | 15.828 | 797 | 355 | 1.371 | - | (54.111) | - |
| Third Parties | 5.665 | 45.219 | 3.589 | 20.037 | 6.877 | - | - | 81.387 |
| Cost of Goods Sold | (18.021) | (55.800) | (3.322) | (18.381) | (5.263) | - | 53.680 | (47.107) |
| Gross Profit | 23.404 | 5.247 | 1.064 | 2.011 | 2.985 | - | (431) | 34.280 |
| Operating Expenses | (2.190) | (3.050) | (868) | (1.437) | (1.368) | (3.419) | - | (12.332) |
| Sales, General & Administrative | (742) | (2.103) | (452) | (1.195) | (789) | (1.154) | - | (6.435) |
| Taxes | (18) | (61) | (49) | (114) | (79) | (705) | - | (1.026) |
| Exploration, Drilling and Lifting Costs | (862) | - | - | - | (414) | - | - | (1.276) |
| Research & Development | (240) | (109) | (13) | (8) | (3) | (136) | - | (509) |
| Others | (328) | (777) | (354) | (120) | (83) | (1.424) | - | (3.086) |
| Operating Profit (Loss) | 21.214 | 2.197 | 196 | 574 | 1.617 | (3.419) | (431) | 21.948 |
| Interest Income (Expenses) | (662) | 68 | 26 | (44) | (975) | (847) | (176) | (2.610) |
| Equity Income | - | 124 | 41 | - | (33) | (7) | - | 125 |
| Non-Operating Income (Expense) | (146) | 99 | (5) | (3) | (39) | (21) | - | (115) |
| Income Before Taxes and Minority Interests | 20.406 | 2.488 | 258 | 527 | 570 | (4.294) | (607) | 19.348 |
| Income Tax & Social Contribution | (6.804) | (738) | 69 | (171) | (127) | 1.922 | 177 | (5.672) |
| Minority Interests | (25) | (35) | (751) | - | (215) | - | - | (1.026) |
| Net Income (Loss) | 13.577 | 1.715 | (424) | 356 | 228 | (2.372) | (430) | 12.650 |

With the intent of adapting the segmented results to the new procedures related to implantation of SAP-R/3, as of 2005 revenues from commercialization of oil to third parties is allocated as per points of sale that may belong to the Exploration & Production or Supply areas. Until 2004, the commercialization of oil was fully allocated to the Exploration & Production area.

Considering that the methodology of internal oil transfer prices is based on market parameters and that all the oil commercialized by the Supply area comes from transfers from the Exploration & Production area, this adaptation produces virtually no effect on the results of the areas, and is summarized in an increase to Intersegment Net Operating Revenues of the Exploration & Production area, offsetting a reduction in the line Net Operating Revenues with Third Parties, as well as increases in the lines Net Operating Revenues with Third Parties and Cost of Goods and Services Sold in the Supply area.

Consolidated Result by Business Area - 06.30.2005

| R\$ Million | | | | | | | | |
|---|----------------|----------------|--------------------|----------------|--------------|----------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| INCOME STATEMENTS | | | | | | | | |
| Net Operating Revenues | 31.711 | 49.421 | 3.714 | 17.907 | 5.447 | - | (45.944) | 62.256 |
| Intersegments | 29.666 | 13.887 | 1.119 | 273 | 999 | - | (45.944) | - |
| Third Parties | 2.045 | 35.534 | 2.595 | 17.634 | 4.448 | - | - | 62.256 |
| Cost of Goods Sold | (13.500) | (41.962) | (2.924) | (16.132) | (3.408) | - | 43.477 | (34.449) |
| Gross Profit | 18.211 | 7.459 | 790 | 1.775 | 2.039 | - | (2.467) | 27.807 |
| Operating Expenses | (1.287) | (2.004) | (780) | (1.285) | (791) | (3.133) | (140) | (9.420) |
| Sales, General & Administrative | (452) | (1.450) | (348) | (1.126) | (538) | (1.108) | - | (5.022) |
| Taxes | (7) | (40) | (30) | (81) | (55) | (205) | - | (418) |
| Exploration, Drilling and Lifting Costs | (475) | - | - | - | (109) | - | - | (584) |
| Research & Development | (157) | (55) | (26) | (2) | (2) | (174) | - | (416) |
| Others | (196) | (459) | (376) | (76) | (87) | (1.646) | (140) | (2.980) |
| Operating Profit (Loss) | 16.924 | 5.455 | 10 | 490 | 1.248 | (3.133) | (2.607) | 18.387 |
| Interest Income (Expenses) | (112) | (240) | 440 | (46) | (510) | (1.240) | 5 | (1.703) |
| Equity Income | - | 141 | (16) | - | 103 | (511) | - | (283) |
| Non-Operating Income (Expense) | (192) | 22 | (46) | (2) | 10 | 2 | - | (206) |
| Income Before Taxes and Minority Interests | 16.620 | 5.378 | 388 | 442 | 851 | (4.882) | (2.602) | 16.195 |
| Income Tax & Social Contribution | (5.315) | (1.826) | (177) | (159) | (282) | 1.852 | 996 | (4.911) |
| Minority Interests | (914) | (52) | (317) | - | (50) | - | - | (1.333) |
| Net Income (Loss) | 10.391 | 3.500 | (106) | 283 | 519 | (3.030) | (1.606) | 9.951 |

Consolidated Result by Business Area - 03.31.2005

R\$ Million

| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
|---|----------------|----------------|---------------------------------|-----------------|----------------|----------------|-----------------|----------------|
| INCOME STATEMENTS | | | | | | | | |
| Net Operating Revenues | 14.456 | 23.136 | 1.816 | 8.693 | 3.001 | - | (21.205) | 29.897 |
| Intersegments | 13.320 | 6.651 | 528 | 140 | 566 | - | (21.205) | - |
| Third Parties | 1.136 | 16.485 | 1.288 | 8.553 | 2.435 | - | - | 29.897 |
| Cost of Goods Sold | (6.635) | (19.655) | (1.408) | (7.792) | (1.864) | - | 20.844 | (16.510) |
| Gross Profit | 7.821 | 3.481 | 408 | 901 | 1.137 | - | (361) | 13.387 |
| Operating Expenses | (595) | (1.130) | (373) | (607) | (403) | (1.468) | - | (4.576) |
| Sales, General & Administrative | (279) | (729) | (157) | (537) | (279) | (529) | - | (2.510) |
| Taxes | (5) | (23) | (16) | (38) | (32) | (105) | - | (219) |
| Exploration, Drilling and Lifting Costs | (185) | - | - | - | (58) | - | - | (243) |
| Research & Development | (64) | (25) | (8) | (1) | (1) | (95) | - | (194) |
| Others | (62) | (353) | (192) | (31) | (33) | (739) | - | (1.410) |
| Operating Profit (Loss) | 7.226 | 2.351 | 35 | 294 | 734 | (1.468) | (361) | 8.811 |
| Interest Income (Expenses) | (306) | (70) | (98) | (35) | (288) | (276) | - | (1.073) |
| Equity Income | - | 70 | (19) | - | 23 | 127 | - | 201 |
| Non-Operating Income (Expense) | (132) | (4) | (10) | - | 18 | 1 | - | (127) |
| Income Before Taxes and Minority Interests | 6.788 | 2.347 | (92) | 259 | 487 | (1.616) | (361) | 7.812 |
| Income Tax & Social Contribution | (2.251) | (771) | (35) | (99) | (166) | 412 | 102 | (2.808) |
| Minority Interests | 47 | (17) | (43) | - | 30 | - | - | 17 |
| Net Income (Loss) | 4.584 | 1.559 | (170) | 160 | 351 | (1.204) | (259) | 5.021 |

With the goal of greater transparency and comparability, the results by business area from 1Q-2005 and 2Q-2005 are being presented again, considering the adjustments arising from better analysis of some processes of business areas in the new Company Integrated System, mainly in the Gas & Energy area, as well as consolidation of the Special Purpose Companies within the context of CVM Instruction 408.

Statement of Other Operating Revenues (Expenses) 09.30.2005

| | R\$ Million | | | | | | | |
|--|--------------|--------------|--------------------|-------------|--------------|----------------|---------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Health and Pension Plan Expenses - Retirees and Pensioners | - | - | - | - | - | (1,555) | - | (1,555) |
| Operating Expenses with Thermoelectric Plants | - | - | (638) | - | - | - | - | (638) |
| Institutional Relations and Cultural Projects Losses and Contingencies Related to Legal Proceedings | (4) | (5) | (2) | (64) | (19) | (488) | - | (557) |
| Unscheduled Stops at Installations and Production Equipment | (109) | (76) | - | - | - | - | - | (185) |
| Contractual Losses from Ship-or-Pay Transport Services | - | - | - | - | (98) | - | - | (98) |
| Result from Hedge Operations | - | (14) | 94 | - | - | - | - | 80 |
| Rent Revenues | - | - | - | 48 | - | - | - | 48 |
| Others | (212) | (153) | 33 | (44) | (141) | (271) | - | (788) |
| | (325) | (550) | (513) | (60) | (258) | (2,349) | - | (4,055) |

Statement of Other Operating Revenues (Expenses) 09.30.2004

| | R\$ Million | | | | | | | |
|--|-------------|--------|--------------------|----------|---------|---------|---------|--------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| Health and Pension Plan Expenses - Retirees and | - | - | - | - | - | (959) | - | (959) |

| | | | | | | | | |
|--|--------------|--------------|--------------|--------------|-------------|----------------|---|----------------|
| Pensioners | | | | | | | | |
| Operating Expenses with Thermoelectric Plants | - | - | (354) | - | - | - | - | (354) |
| Institutional Relations and Cultural Projects | - | (7) | - | (60) | - | (384) | - | (451) |
| Losses and Contingencies Related to Legal Proceedings | (36) | (25) | (2) | (18) | - | (35) | - | (116) |
| Unscheduled Stops at Installations and Production Equipment | (96) | (85) | - | - | - | - | - | (181) |
| Contractual Losses from Ship-or-Pay Transport Services | - | - | - | - | (146) | - | - | (146) |
| Result from Hedge Operations | - | (269) | 173 | - | - | - | - | (96) |
| Rent Revenues | - | - | - | 31 | - | - | - | 31 |
| INSS Contingencies | (96) | - | - | - | - | - | - | (96) |
| Taxes Payable | - | (94) | - | - | - | - | - | (94) |
| Others | (100) | (297) | (171) | (73) | 63 | (46) | - | (624) |
| | (328) | (777) | (354) | (120) | (83) | (1,424) | - | (3,086) |

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 | (17.775) | 172.161 |
| CURRENT ASSETS | 5.939 | 22.756 | 4.143 | 4.858 | 5.937 | 20.722 | (8.741) | 55.614 |
| 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 | (8.741) | 34.404 |
| NON-CURRENT ASSETS | 2.993 | 1.565 | 2.441 | 982 | 962 | 14.422 | (8.690) | 14.675 |
| PETROLEUM AND ALCOHOL ACCT. MARKETABLE SECURITIES | 320 | 5 | - | 2 | 1 | 411 | - | 739 |
| OTHERS | 2.673 | 1.560 | 2.441 | 980 | 961 | 13.246 | (8.690) | 13.171 |
| FIXED ASSETS | 51.560 | 17.510 | 15.609 | 2.801 | 12.703 | 2.033 | (344) | 101.872 |

Consolidated Assets by Business Segment - 06.30.2005

| R\$ Million | | | | | | | | |
|---|----------------|---------------|-------------------------|-----------------|----------------|----------------|-----------------|----------------|
| | E&P | SUPPLY | GAS & ENERGY | DISTRIB. | INTERN. | CORPOR. | ELIMIN. | TOTAL |
| ASSETS | 60.013 | 39.511 | 20.408 | 8.475 | 19.760 | 33.641 | (16.231) | 165.577 |
| CURRENT ASSETS | 5.213 | 20.973 | 3.344 | 4.787 | 5.590 | 17.402 | (6.840) | 50.469 |
| CASH AND CASH EQUIVALENTS | 1.322 | 1.145 | 722 | 238 | 1.354 | 12.414 | - | 17.195 |
| OTHERS | 3.891 | 19.828 | 2.622 | 4.549 | 4.236 | 4.988 | (6.840) | 33.274 |
| NON-CURRENT ASSETS | 4.389 | 1.596 | 1.168 | 940 | 863 | 14.024 | (9.045) | 13.935 |
| PETROLEUM AND ALCOHOL ACCT. MARKETABLE SECURITIES | 361 | 5 | - | 2 | 106 | 992 | (519) | 947 |
| OTHERS | 4.028 | 1.591 | 1.168 | 938 | 757 | 12.274 | (8.526) | 12.230 |

| | | | | | | | | |
|---------------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|----------------|
| FIXED ASSETS | 50.411 | 16.942 | 15.896 | 2.748 | 13.307 | 2.215 | (346) | 101.173 |
|---------------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|----------------|

Consolidated Results International Business Area - 09.30.2005

| | R\$ Million INTERNATIONAL | | | | | | |
|--------------------------------------|--------------------------------------|---------------|----------------|-----------------|----------------|----------------|---------------|
| | E&P | SUPPLY | G&E | DISTRIB. | CORPOR. | ELIMIN. | TOTAL |
| INTERNATIONAL AREA ASSETS | 13.171 | 3.199 | 3.801 | 479 | 5.409 | (6.457) | 19.602 |
| Income Statement | | | | | | | |
| Net Operating Revenues | 3.966 | 3.903 | 1.606 | 1.807 | 48 | (3.206) | 8.124 |
| Intersegments | 2.421 | 2.192 | 269 | 6 | - | (3.206) | 1.682 |
| Third Parties | 1.545 | 1.711 | 1.337 | 1.801 | 48 | - | 6.442 |
| Operating Profit (Loss) | 1.673 | 199 | 250 | (90) | (420) | 55 | 1.667 |
| Net Income (Loss) | 601 | 172 | 221 | (71) | (461) | 58 | 520 |

Consolidated Results International Business Area

| | R\$ Million INTERNATIONAL | | | | | | |
|---|--------------------------------------|---------------|----------------|-----------------|----------------|----------------|---------------|
| | E&P | SUPPLY | G&E | DISTRIB. | CORPOR. | ELIMIN. | TOTAL |
| INTERNATIONAL AREA ASSETS (06/30/2005) | 13.267 | 3.231 | 3.990 | 490 | 5.323 | (6.541) | 19.760 |
| Income Statement (09/30/2004) | | | | | | | |
| Net Operating Revenues | 3.837 | 4.490 | 1.638 | 1.865 | 44 | (3.626) | 8.248 |
| Intersegments | 2.396 | 2.309 | 277 | 15 | - | (3.626) | 1.371 |
| Third Parties | 1.441 | 2.181 | 1.361 | 1.850 | 44 | - | 6.877 |
| Operating Profit (Loss) | 1.320 | 442 | 370 | (243) | (230) | (42) | 1.617 |
| Net Income (Loss) | 400 | 386 | 289 | (170) | (635) | (42) | 228 |

1. Changes in the Oil and Alcohol Accounts

| R\$ Million | | | | | |
|-------------|---------------|------------|-------------------------------------|------------|------------|
| 2Q-2005 | Third Quarter | | | Jan - Sep | |
| | 2005 | 2004 | | 2005 | 2004 |
| 752 | 758 | 750 | Initial Balance | 749 | 689 |
| - | - | - | Reimbursement to Petrobras | - | 4 |
| 6 | 7 | 4 | Intercompany Lending Charges | 16 | 11 |
| - | - | - | Regularization - GTI* | - | 50 |
| 758 | 765 | 754 | Final Balance | 765 | 754 |

OFFSET OF ACCOUNTS WITH THE GOVERNMENT

By means of Official Document Number 11/2004 of June 23, 2004, the Integrated Audit Commission ANP/STN presented the final audit report certifying and homologating the amount in the petroleum and alcohol account and enabling the offset of accounts between PETROBRAS and the government. This is now underway.

As per Law Number 10,742 of October 6, 2003, account rectification with the government should have occurred by June 30, 2004. PETROBRAS, after having furnished all the information required by the National Treasury Secretary STN, is in discussion with the Ministry of Mines and Energy - MME, seeking to equalize the disparities that still exist between the parties in an effort to conclude the offset of accounts with the government, as per Provisionary Measure Number 2,181-45, dated August 24, 2001.

On July 2, 2004, the government made a deposit in the amount of R\$ 172 million, equivalent to National Treasury Notes - H Series (NTNs-H) that were issued in favor of PETROBRAS to guarantee payment of the amount due in relation to the petroleum and alcohol account, as they matured on June 30, 2004. Of this amount, R\$ 8 million were available to PETROBRAS, and the remaining amount of R\$ 164 million was placed in an open account in favor of the Company as a blocked deposit linked to the STN order. The amount of the account may be paid through the issue of National Treasury bonds in a value equal to the final amount of the account rectification or with other amounts that PETROBRAS may owe to the federal government, including tax amounts or a combination of the foregoing options.

2. Analysis of Consolidated Gross Margin**3Q05/2Q005 VARIATION
MAIN IMPACTS**

| R\$ Million | | | | |
|--|-------------------------------|---------------------|---------------------------|---------------------|
| Analysis of Gross Income - Main Items | | Net Revenues | Cost of Goods Sold | Gross Income |
| Domestic Market: | - Effect of Volumes Sold | 1.179 | (619) | 560 |
| | - Effect of Prices | 465 | - | 465 |
| . Intl. Market: | - Effect of Export Volumes | (699) | 324 | (375) |
| | - Effect of Export Price | 1.198 | - | 1.198 |
| Increased Expenses: | - Oil and Oil Product Imports | - | (296) | (296) |
| | - Domestic Government Take | - | 38 | 38 |
| | - Sea freight and Pipelines | - | (81) | (81) |
| . Increased Profitability in the Distribution Segment | | 80 | - | 80 |
| . FX Effect on Foreigners' Controlled Companies Revenues and Costs | | 1.040 | (1.128) | (88) |
| . Others | | 89 | (900) | (811) |
| | | 3.352 | (2.662) | 690 |

3. Consolidated Taxes and Contributions

The economic contribution of PETROBRAS to Brazil, measured by generation of taxes, duties and current social contributions, to date in 2005 totals R\$ 32.771 million.

| R\$ million | | | | | | | |
|--------------------|----------------------|--------------|-----------|--|------------------|---------------|-----------|
| 2Q-2005 | Third Quarter | | | | Jan - Sep | | |
| | 2005 | 2004 | Δ% | | 2005 | 2004 | Δ% |
| | | | | Economic Contribution - Country | | | |
| 3.571 | 3.982 | 3.106 | 28 | Added Value Tax (ICMS) | 11.270 | 10.379 | 9 |
| 1.862 | 1.915 | 1.874 | 2 | CIDE ⁽¹⁾ | 5.556 | 5.778 | (4) |
| 2.475 | 2.558 | 2.072 | 23 | PASEP/COFINS | 7.459 | 8.195 | (9) |
| | | | | Income Tax & Social | | | |
| 1.630 | 3.164 | 801 | 295 | Contribution | 6.883 | 3.695 | 86 |
| 484 | 658 | 602 | 9 | Others | 1.603 | 1.416 | 13 |
| 10.022 | 12.277 | 8.455 | 45 | Subtotal | 32.771 | 29.463 | 11 |
| | | | | Economic Contribution - Foreign | | | |
| 758 | 792 | 906 | (13) | | 2.557 | 2.915 | (12) |
| 10.780 | 13.069 | 9.361 | 40 | Total | 35.328 | 32.378 | 9 |

(1)

CIDE CONTRIBUIÇÃO DE INTERVENÇÃO DO DOMÍNIO ECONÔMICO (CONTRIBUTION OF INTERVENTION IN ECONOMICDOMAIN).

4. Government Take

| R\$ million | | | | | | | |
|--------------|---------------|--------------|-----------|-----------------------|---------------|--------------|-----------|
| 2Q-2005 | Third Quarter | | | Country | Jan - Sep | | |
| | 2005 | 2004 | Δ% | | 2005 | 2004 | Δ% |
| 1.580 | 1.769 | 1.355 | 31 | Royalties | 4.654 | 3.585 | 30 |
| 1.658 | 2.035 | 1.529 | 33 | Special Participation | 5.287 | 3.941 | 34 |
| 15 | 18 | 24 | (25) | Surface Rental Fees | 52 | 67 | (22) |
| 3.253 | 3.822 | 2.908 | 31 | Subtotal | 9.993 | 7.593 | 32 |
| 134 | 188 | 112 | 68 | Foreign | 470 | 398 | 18 |
| 3.387 | 4.010 | 3.020 | 33 | Total | 10.463 | 7.991 | 31 |

The government take in the country increased 31% in 3Q-2005 over the same period of 2004, reflecting the 45% increase in the reference price for domestic oil, which reached the average price of US\$ 46.98 (US\$ 32.30 in 2004).

5. Reconciliation of Shareholders' Equity and Consolidated Net Income

| | R\$ Million | |
|---|----------------------|--------|
| | Shareholders' Equity | Result |
| . According to Petrobras Information as of September 30, 2005 | 77.556 | 15.485 |
| . Profit from Sales of Products in Affiliated Company Inventories | (567) | (567) |
| . Reversal of Profits on Inventory in Previous Years | - | 384 |
| . Capitalized Interest | (389) | 48 |
| . Absorption of Negative Shareholders' Equity in Affiliated Companies (*) | (139) | 433 |
| . Other Eliminations | (709) | (200) |
| . According to Consolidated Information as of September 30, 2005 | 75.752 | 15.583 |

* As per CVM Instruction Number 247/96, the losses that are considered to be of a non-permanent type (temporary) on investments evaluated by the equity in results of non-consolidated companies method, whose invested company does not show signs of paralysis or need for financial help from the investor company, should be limited to the value of the controlling company's investment. Therefore, the losses occasioned by unfunded liabilities (negative net shareholder's equity) of controlled companies did not affect the results and the net shareholder's equity of Petrobras in 3Q-2005, generating a conciliatory item between the Financial Statements of Petrobras and the Consolidated Financial Statements.

6. PETROBRAS Stock Split

The General Extraordinary Assembly that met on July 22, 2005, deliberated and approved a stock split representing company capital of 300%, resulting in the free distribution of 3 (three) new same-type shares for each 1 (one) share, based on shareholder position on August 31, 2005. Thus, company capital in the amount of R\$ 32.896 million, as of September 1, 2005, will be divided into 4,386 million shares without nominal value, of which 2,537 million are ordinary shares and 1,849 million are preferred shares, and the relationship between the American Depositary Receipts (ADRs) and the shares corresponding to each type, will be altered from the current one share per one ADR to four shares per one ADR.

7. Activity of PETROBRAS Shares and ADRs

| Nominal Valuation | | | | | |
|-------------------|---------------|--------|---------------------|-----------|--------|
| 2Q-2005 | Third Quarter | | | Jan - Sep | |
| | 2005 | 2004 | | 2005 | 2004 |
| 3,23% | 32,71% | 21,00% | Petrobras ON | 51,15% | 23,30% |
| 4,03% | 32,87% | 21,37% | Petrobras PN | 46,77% | 22,83% |
| 17,99% | 37,14% | 25,58% | ADR- Level III - ON | 79,71% | 20,55% |
| 19,68% | 38,47% | 26,67% | ADR- Level III - PN | 76,06% | 19,73% |
| -5,86% | 26,08% | 9,91% | IBOVESPA | 20,57% | 4,54% |
| -2,18% | 2,86% | -3,40% | DOW JONES | -1,99% | -3,57% |
| 2,89% | 4,61% | -7,37% | NASDAQ | -1,09% | -5,32% |

The book value of a PETROBRAS share on September 30, 2005, was R\$ 17, 68.

8. Exchange Rate Exposure

Exchange rate exposure of the PETROBRAS System is measured as per the following table:

| Assets | R\$ Million | |
|---|---------------|----------------|
| | 09.30.2005 | 06.30.2005 |
| Current Assets | 18.374 | 18.780 |
| Cash and Cash Equivalents | 7.172 | 6.626 |
| Other Current Assets | 11.202 | 12.154 |
| Non-Current Assets | 4.440 | 3.221 |
| Fixed Assets | 30.072 | 28.556 |
| Investments | 184 | 193 |
| Property, Plant & Equipment | 29.375 | 27.794 |
| Others | 513 | 569 |
| Total Assets | 52.886 | 50.557 |
| | | |
| Liabilities | R\$ Million | |
| | 09.30.2005 | 06.30.2005 |
| Current Liabilities | 16.459 | 16.061 |
| Short-Term Debt | 8.178 | 7.656 |
| Suppliers | 5.793 | 5.277 |
| Other Current Liabilities | 2.488 | 3.128 |
| Long-Term Liabilities | 34.164 | 35.637 |
| Long-Term Debt | 32.630 | 34.104 |
| Other Long-Term Liabilities | 1.534 | 1.533 |
| Total Liabilities | 50.623 | 51.698 |
| Net Assets (Liabilities) in Real | 2.263 | (1.141) |
| (+) Investment Funds - Exchange | 9.572 | 4.465 |
| (-) FINAME Loans - in dollar indexed reais | 651 | 678 |
| Net Assets in Reais | 11.184 | 2.646 |
| Net Assets in Dollar | 5.033 | 1.126 |
| Fx rate (*) | 2,2222 | 2,3504 |

(1) Considers the conversion of the value in *reais* by the dollar sell rate on the closing date of the period

Holding Company Statement of Results

| R\$ Million | | | | | |
|--------------|---------------|--------------|---|---------------|---------------|
| 2Q-2005 | Third Quarter | | | Jan - Sep | |
| | 2005 | 2004 | | 2005 | 2004 |
| 35.426 | 37.871 | 33.332 | Gross Operating Revenues | 104.652 | 87.800 |
| (9.321) | (9.779) | (9.452) | Sales Deductions | (27.889) | (25.115) |
| 26.105 | 28.092 | 23.880 | Net Operating Revenues | 76.763 | 62.685 |
| (14.531) | (15.030) | (13.911) | Cost of Goods Sold | (41.613) | (35.146) |
| 11.574 | 13.062 | 9.969 | Gross Profit | 35.150 | 27.539 |
| | | | Operating Expenses | | |
| (1.702) | (2.117) | (1.605) | Sales, General & Administrative | (5.445) | (3.942) |
| (291) | (334) | (373) | Cost of Prospecting, Drilling & Lifting | (810) | (862) |
| (222) | (247) | (187) | Research & Development | (662) | (501) |
| (102) | (114) | (117) | Taxes | (323) | (707) |
| (1.620) | (859) | (1.528) | Others | (3.981) | (3.636) |
| | | | Net Financial Expense | | |
| 107 | 272 | 192 | Income | 904 | 1.730 |
| (587) | (555) | (576) | Expense | (1.721) | (1.635) |
| (4.776) | (1.750) | (2.367) | Monetary & Foreign Exchange Correction - Assets | (6.308) | 28 |
| | | | Monetary & Foreign Exchange Correction - | | |
| 3.854 | 1.349 | 2.861 | Liabilities | 4.867 | (38) |
| (1.402) | (684) | 110 | | (2.258) | 85 |
| 87 | 86 | 182 | Equity Income / Negative Goodwill Amortization | 1.089 | 1.329 |
| 6.322 | 8.793 | 6.451 | Operating Profit | 22.760 | 19.305 |
| (64) | 1 | (67) | Non-Operating Income (Expense) | (215) | (197) |
| (1.559) | (3.115) | (1.097) | Income Tax & Social Contribution | (7.060) | (5.392) |
| 4.699 | 5.679 | 5.287 | Net Income (Loss) | 15.485 | 13.716 |

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

Holding Company Balance Sheet

| | R\$ Million | |
|--------------------------------------|--------------------|-------------------|
| | 09.30.2005 | 06.30.2005 |
| Liabilities | | |
| Current Liabilities | 44.603 | 42.365 |
| Short-Term Debt | 1.154 | 1.249 |
| Suppliers | 26.722 | 25.524 |
| Taxes & Social Contribution Payable | 7.429 | 6.187 |
| Dividends / Interest on Own Capital | 2.193 | 2.193 |
| Project Finance and Joint Ventures | 3.917 | 4.777 |
| Pension Fund Obligations | 362 | 354 |
| Others | 2.826 | 2.081 |
| Long-Term Liabilities | 24.867 | 25.001 |
| Long-Term Debt | 6.948 | 7.659 |
| Subsidiaries & Controlled Companies | 1.968 | 2.145 |
| Pension Fund Obligations | 1.561 | 1.266 |
| Health Care Benefits | 6.208 | 5.891 |
| Deferred Taxes & Social Contribution | 6.094 | 5.839 |
| Others | 2.088 | 2.201 |
| Shareholders Equity | 77.556 | 71.877 |
| Corporate Capital | 33.235 | 33.235 |
| Reserves | 28.836 | 28.836 |
| Net Income | 15.485 | 9.806 |
| Total Liabilities | 147.026 | 139.243 |

Holding Company Cash Flow Statement

| 2Q-2005 | Third Quarter | | | R\$ Million | |
|--------------|---------------|----------------|---|---------------|----------------|
| | 2005 | 2004 | | Jan - Sep | |
| | 2005 | 2004 | | 2005 | 2004 |
| 4.699 | 5.679 | 5.287 | Net Income (Loss) | 15.485 | 13.716 |
| (904) | 4.249 | 2.524 | (+) Adjustments | 3.977 | 4.675 |
| 915 | 930 | 1.098 | Depreciation & Amortization | 2.747 | 2.744 |
| (5) | (7) | (5) | Petroleum & Alcohol Account | (16) | (65) |
| (2.456) | 1.119 | 2.512 | Supply of Oil and Oil Products Abroad | 93 | 5.326 |
| 552 | 675 | 545 | Charges on Financing and Affiliated Companies | 726 | (307) |
| 90 | 1.532 | (1.626) | Other Adjustments | 427 | (3.023) |
| 3.795 | 9.928 | 7.811 | (=) Net Cash Generated by Operating Activities | 19.462 | 18.391 |
| 3.327 | 3.335 | 4.188 | (-) Cash Used for CAPEX | 9.886 | 9.272 |
| 2.241 | 2.543 | 2.298 | Investment in E&P | 6.947 | 6.138 |
| 475 | 666 | 1.575 | Investment in Refining & Transport | 1.735 | 2.914 |
| 427 | 493 | 94 | Investment in Gas and Energy | 1.333 | 136 |
| 186 | 93 | 54 | Structured Projects Net of Advance | 374 | 156 |
| (297) | (234) | - | Dividends | (531) | (560) |
| 295 | (226) | 167 | Other Investments | 28 | 488 |
| 468 | 6.593 | 3.623 | (=) Net Cash Flow | 9.576 | 9.119 |
| (1.007) | 2.942 | 6.082 | (-) Cash Used in Financing Activities | 6.010 | 16.205 |
| 1.475 | 3.651 | (2.459) | (=) Cash Generated in the Period | 3.566 | (7.086) |
| 10.020 | 11.495 | 15.596 | Cash at the Beginning of Period | 11.580 | 20.223 |
| 11.495 | 15.146 | 13.137 | Cash at the End of Period | 15.146 | 13.137 |

Holding Company Value Added Statement

| Description | R\$ Million | |
|---|--------------------|---------------|
| | Jan - Sep | |
| | 2005 | 2004 |
| Gross Operating Revenue from Sales & Services and Other | 104.803 | 87.740 |
| Raw Materials Used | (9.063) | (10.772) |
| Products for Resale | (4.855) | (4.538) |
| Materials, Energy, Services & Others | (14.306) | (10.505) |
| Added Value Generated | 76.579 | 61.925 |
| Depreciation & Amortization | (2.747) | (2.744) |
| Participation in Subsidiaries, Amortization of Goodwill | 1.089 | 1.329 |
| Financial Income Net of Associated Companies | (233) | 2.138 |
| Rent and Royalties | 302 | 281 |
| Total Distributable Added Value | 74.990 | 62.929 |
| Distribution of Added Value | | |
| Personnel | | |
| Salaries, Benefits and Charges | 4.703 | 3.473 |
| Government Entites | | |
| Taxes, Fees and Contributions | 35.010 | 30.130 |
| Government Participation | 9.981 | 7.593 |
| Deferred Income Tax/Social Contribution | 1.058 | 1.850 |
| | 46.049 | 39.573 |
| Financial Institutions and Suppliers | | |
| Financial Expenses, Interest, Rent & Freight | 8.753 | 6.167 |
| Financial Expenses and Interest | 2.025 | 2.054 |
| Monetary and FX Liability Variations | | |
| Rent and Freight Expenses | 6.728 | 4.113 |
| Shareholders | | |
| Dividends | 2.193 | 3.290 |
| Net Income in the Period | 13.292 | 10.426 |
| | 15.485 | 13.716 |

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

PETROBRAS S.A

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

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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: November 11, 2005

PETRÓLEO BRASILEIRO S.A--PETROBRAS

By: */s/* José Sergio Gabrielli de
Azevedo

**José Sergio Gabrielli de
Azevedo
Chief Financial Officer and
Investor Relations Director**

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.
