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 ___X___ Form 40-F _____

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

Yes _____ No___X____

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:

PETROBRAS SYSTEM	**Índices**	**PETROBRAS**	**Índices**
Financial Performance		**Accounting statements**	
Operating Performance			
Financial Statements			
Appendices			

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 n 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							
	Fourth Quarter				Fiscal Year		
3Q - 2005 (1)	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$/bbl)**	**54,38**	**38,21**	42
2,3449	2,2507	2,7862	(19)	**US Dollar Average Price - Sale (R$)**	**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				
	Fourth Quarter		Fiscal Year	
3Q-2005	2005	2004	2005	2004

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:

		R$ Million		
		2005 x 2004		
Main Items		Net Revenues	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.

- 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 nº 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).

PETROBRAS SYSTEM **Operating Performance**

Physical Indicators

3Q-2005	Fourth Quarter 2005	2004	Δ%		Fiscal Year 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)
493	425	584	(27)	**Import of crude oil and oil products**	446	559	(20)
249	301	137	119	**Crude oil exports**	263	181	46
246	250	193	30	**Oil products exports**	241	228	6
495	551	330	67	**Export of crude oil and oil products**	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
2.114	**2.114**	**2.114**	-	**Primary Processed Installed Capacity**	**2.114**	**2.114**	**-**
1.985	1.985	1.985	**-**	**brazil (2)**	1.985	1.985	-
129	129	129	**-**	**International**	129	129	-
91	91	89	2	**Use of Installed Capacity (%) 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 2005	2004	Δ%		Fiscal Year 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$/barril							
				Lifting Cost:			
				Brazil (5)			
5,44	6,07	4,56	33	**without government participation**	5,73	4,28	34
15,08	15,96	12,30	30	**with government participation**	14,65	10,72	37
2,78	3,57	2,90	23	**International**	2,90	2,60	12
				Refining cost			
1,86	2,03	1,63	25	**Brazil (5)**	1,90	1,38	38
1,41	1,35	1,09	24	**International**	1,30	1,09	19
402	490	300	63	**Corporate Overhead (US$ million) Holding Company (5)**	1.540	951	62
Cost - R$/barril							
				Lifting Cost:			
				Brazil (5)			
12,57	13,73	12,56	9	**without government participation**	13,83	12,30	12
35,84	36,24	34,54	5	**with government participation**	35,20	31,17	13
				Refining cost			
4,31	4,56	4,67	(2)	**Brazil (5)**	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 primariliy 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 stopagges. 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)							
	Fourth Quarter				Fiscal Year		
3Q-2005	2005	2004	Δ%		2005	2004	Δ%
7.348	**4.960**	**4.506**	10	**EXPLORATION & 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
(650)	**1.095**	**(95)**	(1.253)	**ELIMINATIONS AND ADJUSTMENTS**	**(1.161)**	**(525)**	121
5.632	**8.142**	**4.237**	92	**CONSOLIDATED NET 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 derivates 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 PEPSA, 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					
	Fiscal Year				
	2005	%	2004	%	Δ%
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					
	Fiscal Year				
	2005	%	2004	%	Δ%
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					
	Fiscal Year				
	2005	%	2004	%	Δ%
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.

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**

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

	R$ Million	
	Fiscal Year	
	2005 (1)	2004 (2)
Description		
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 corretion	-	-	-	-	-	-	-	-
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) Contigencies	(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) Contigencies	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	-	94	-	-	-	-	-	**94**
Costs incurred to renegotiate existing contracts with thermo-plants	-	-	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	**18.083**	**2.553**	**(517)**	**623**	**347**	**(3.677)**	**(525)**	**16.887**
Extraordinary Items	**(277)**	**94**	**69**	**-**	**122**	**165**	**-**	**173**
Tax Effects	**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.	-	-	-	-	-	770	-	770
MARKETABLE SECURITIES	310	5	-	2	1	300	-	618
OTHERS	3.026	1.181	2.158	1.095	776	12.554	(8.075)	12.715
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.	-	-	-	-	-	765	-	765
MARKETABLE SECURITIES	320	5	-	2	1	411	-	739
OTHERS	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					
	Fourth Quarter			Fiscal Year	
3Q-2005	2005	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							
	Fourth Quarter				Fiscal Year		
3Q-2005	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)
3.316	2.363	1.285	84	**Income Tax & Social Contribution**	10.401	6.500	60
658	407	340	20	Others	2.010	1.756	14
12.429	**11.832**	**10.130**	17	**Subtotal**	**45.758**	**41.113**	11
792	1.021	906	13	**Economic Contribution - Foreign**	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							
	Fourth Quarter				Fiscal Year		
3Q-2005	2005	2004	Δ%		2005	2004	Δ%
				Country			
1.769	1.712	1.435	19	*Royalties*	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
188	249	105	137	**Foreign**	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 earning 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

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					
	Fourth Quarter			Fiscal Year	
3Q-2005	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)
1.349	(1.985)	2.551	'Monetary & Foreign Exchange Correction - 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
Antecipated 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

				R$ Million	
	Fourth Quarter			Fiscal Year	
3Q-2005	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

	R$ million	
	Fiscal Year	
Description	**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
Reatained 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

For more information, please contact:

PETRÓLEO BRASILEIRO S.A Petrobras
Investor Relations
Raul Adalberto de Campos Executive Manager
E-mail: petroinvest@petrobras.com.br
Av. República do Chile, 65 - 2202-B
20031-912 Rio de Janeiro, RJ
Telephone: (55-21) 3224-1510 / 9947
0800-282-1540

This document may contain forecasts that merely reflect the expectations of the Company s management. Such terms as anticipate , believe , expect , forecast , intend , plan , project , seek , should , along with similar or analogous expressions, are used to identify such forecasts. These predictions i risks and uncertainties, whether foreseen or not by the Company. Therefore, the future results of operations may differ from current expectations, and readers must not base their expectations exclusively on the information presented herein.

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 offuture 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 oc cur. 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.