Regional Management Corp.
Form S-1/A
March 27, 2012

As filed with the Securities and Exchange Commission on March 27, 2012.

Registration No. 333-174245

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 9
to
Form S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Regional Management Corp.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**6141**	**57-0847115**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

509 West Butler Road
Greenville, South Carolina 29607
Telephone: (864) 422-8011
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Thomas F. Fortin
Chief Executive Officer
Regional Management Corp.
509 West Butler Road
Greenville, South Carolina 29607
Telephone: (864) 422-8011
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Joshua Ford Bonnie	**Colin J. Diamond**
Lesley Peng	**White & Case LLP**

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
Telephone: (212) 455-2000
Facsimile: (212) 455-2502

1155 Avenue of the Americas
New York, New York 10036
Telephone: (212) 819-8200
Facsimile: (212) 354-8113

Approximate date of commencement of the proposed sale of the securities to the public: **As soon as practicable after the Registration Statement is declared effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

OF EACH CLASS OF ES TO BE REGISTERED	**AMOUNT TO BE REGISTERED(1)**	**PROPOSED MAXIMUM AGGREGATE OFFERING PRICE PER UNIT(2)**	**PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)(2)**	**AMOU REGISTRA**
ck, par value $0.10 per	4,830,000	$19.00	$91,770,000	$10,5

(1) Includes 630,000 shares of common stock subject to the underwriters over-allotment option.

(2) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(a) under the Securities Act of 1933.

(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the expenses payable by the Registrant in connection with the issuance and distribution of the shares of common stock being registered hereby. All of such expenses are estimates, other than the filing and listing fees payable to the Securities and Exchange Commission, the Financial Industry Regulatory Authority and the New York Stock Exchange.

Filing Fee Securities and Exchange Commission	$	10,516
Fee Financial Industry Regulatory Authority, Inc.		9,178
Listing Fee New York Stock Exchange		125,000
Fees and Expenses of Counsel		2,000,000
Printing Expenses		300,000
Fees and Expenses of Accountants		900,000
Miscellaneous Expenses		430,306
Total	$	3,775,000

Item 14. Indemnification of Directors and Officers.

Section 102(b)(7) of the DGCL allows a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our amended and restated certificate of incorporation will provide for this limitation of liability.

Section 145 of the DGCL, or Section 145, provides that a Delaware corporation may indemnify any person who was, is or is threatened to be made, party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation may indemnify any persons who were or are a party to any threatened, pending or completed action or suit by or in the right of the corporation by reasons of the fact that such person is or was a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation s best interests, provided that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify him under Section 145.

Our amended and restated bylaws will provide that we must indemnify our directors and officers to the fullest extent authorized by the DGCL and must also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this section or otherwise.

The indemnification rights set forth above shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our amended and restated certificate of incorporation, our amended and restated bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

We expect to maintain standard policies of insurance that provide coverage (1) to our directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act and (2) to us with respect to indemnification payments that we may make to such directors and officers.

The proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification to our directors and officers by the underwriters against certain liabilities.

Item 15. Recent Sales of Unregistered Securities.

None.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibit Index

1.1	Form of Underwriting Agreement*
3.1	Form of Amended and Restated Certificate of Incorporation of the Registrant*
3.2	Form of Amended and Restated Bylaws of the Registrant*
5.1	Opinion of Simpson Thacher & Bartlett LLP regarding validity of the shares of common stock registered
5.2	Opinion of Womble Carlyle Sandridge & Rice LLP
10.1	Form of Amended and Restated Shareholders Agreement*
10.2	Fourth Amended and Restated Loan and Security Agreement, dated as of January 18, 2012, among the lenders named therein, Bank of America, N.A., as the agent, and the Registrant, Regional Finance Corporation of South Carolina, Regional Finance Corporation of Georgia, Regional Finance Corporation of Texas, Regional Finance Corporation of North Carolina, Regional Finance Corporation of Alabama and Regional Finance Corporation of Tennessee, as borrowers*
10.3.1	Senior Subordinated Loan and Security Agreement, dated as of August 25, 2010, by and among the lenders named therein, Palladium Capital Management III, L.L.C., as the agent, and the Registrant, Regional Finance Corporation of South Carolina, Regional Finance Corporation of Georgia, Regional Finance Corporation of Texas, Regional Finance Corporation of North Carolina, Regional Finance Corporation of Alabama and Regional Finance Corporation of Tennessee*
10.3.2	First Amendment and Extension to Senior Subordinated Loan and Security Agreement dated as of January 18, 2012 the lenders named therein, Palladium Capital Management III, L.L.C., as the agent, and the Registrant, Regional Finance Corporation of South Carolina, Regional Finance Corporation of Georgia, Regional Finance Corporation of Texas, Regional Finance Corporation of North Carolina, Regional Finance Corporation of Alabama and Regional Finance Corporation of Tennessee*
10.4	Regional Management Corp. 2007 Management Incentive Plan*

10.5	Form of Regional Management Corp. 2011 Stock Incentive Plan and Forms of Nonqualified Stock Option Agreement*
10.6	Form of Regional Management Corp. Annual Incentive Plan*
10.7	Option Award Agreement with Robert D. Barry, dated as of October 11, 2007*
10.8	Option Award Agreement with Thomas F. Fortin, dated February 26, 2008*
10.9	Option Award Agreement with Robert D. Barry, effective as of April 23, 2008*
10.10	Option Award Agreement with C. Glynn Quattlebaum, dated as of October 11, 2007*
10.11	Employment Agreement, dated as of March 21, 2007, between C. Glynn Quattlebaum and the Registrant; First Amendment, dated as of July 18, 2008; Second Amendment, dated effective as of January 1, 2009; Third Amendment, dated as of April 13, 2010; and Fourth Amendment, dated as of May 17, 2011*
10.12	Employment Agreement, dated as of February 29, 2008, between the Registrant and Thomas F. Fortin; First Amendment to Employment Agreement between the Registrant and Thomas F. Fortin, dated as of July 18, 2008; Second Amendment, dated effective as of January 1, 2009; Third Amendment, dated as of April 13, 2010; and Fourth Amendment, dated as of May 17, 2011*

10.13	Letter agreement, dated as of July 1, 2008, between the Registrant and Robert D. Barry; the letter agreement, dated as of April 13, 2010; and the letter agreement, dated as of May 17, 2011*
10.14	Amendment 1, dated as of March 8, 2012 to Employment Agreement between the Registrant and Glynn C. Quattlebaum*
21.1	Subsidiaries of the Registrant*
23.1	Consent of McGladrey & Pullen, LLP
23.2	Consent of Simpson Thacher & Bartlett LLP (included as part of Exhibit 5.1)
23.3	Consent of Roel C. Campos to be named as a director nominee*
23.4	Consent of Alvaro G. de Molina to be named as a director nominee*
23.5	Consent of Thomas F. Fortin to be named as a director nominee*
23.6	Consent of Carlos Palomares to be named as a director nominee*
23.7	Consent of Womble Carlyle Sandridge & Rice LLP (included as part of Exhibit 5.2)
24.1	Power of Attorney (included on signature page to this Registration Statement)*

* Previously filed.

(b) Financial Statement Schedules

None. Financial statement schedules have been omitted since the required information is included in our consolidated financial statements contained elsewhere in this registration statement.

ITEM 17. Undertakings.

(1) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(3) The undersigned Registrant hereby undertakes that:

(A) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(B) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Greenville, South Carolina, on the 27th day of March, 2012.

Regional Management Corp.

By: /s/ A. Michelle Masters

Name: A. Michelle Masters

Title: Senior Vice President, Strategic Development and Corporate Secretary

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the 27th day of March, 2012.

Signature	Title
* David Perez	Chairman of the Board of Directors
* Richard T. Dell Aquila	Director
* Richard A. Godley	Director
* Jared L. Johnson	Director
* Erik A. Scott	Director
* Thomas F. Fortin	Chief Executive Officer (principal executive officer)
* Robert D. Barry	Executive Vice President and Chief Financial Officer (principal financial and accounting officer)

*By: /s/ A. Michelle Masters

Name: A. Michelle Masters
Title: Attorney in Fact

II-4

valign="bottom" style="font-size: 1px"> Balance at June 30 4,772 4,772 Common shares Balance at January 1 6,929 4,289 Capital increase from undistributed earnings reserve 2,640 Balance at June 30 6,929 6,929 Capital reserve fiscal incentive Balance at January 1 134 118 Transfer from (to) unappropriated retained earnings 22 (5) Balance at June 30 156 113 Accumulated other comprehensive income Cumulative translation adjustments Balance at January 1 (12,539) (14,450) Change in the period 3,134 (1,407) Balance at June 30 (9,405) (15,857) Amounts not recognized as net periodic pension cost Balance at January 1 (1,975) (1,588) (Increase) decrease in additional minimum liability (387) 169 Tax effect on above 131 (58) Balance at June 30 (2,231) (1,477)

The accompanying notes are an integral part of these consolidated financial statements.

7

PETRÓLEO BRASILEIRO S.A. - PETROBRAS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Continued)
June 30, 2005 and 2004
Expressed in Millions of United States Dollars (except per-share amounts)
(Unaudited)

	Six-month period ended June 30,	
	2005	2004
Unrecognized gains on available for sale securities		
Balance at January 1	460	157
Unrealized (losses) gains	(148)	18
Tax effect on above	50	(6)
Balance at June 30	362	169
Appropriated retained earnings		
Legal reserve		
Balance at January 1	1,520	1,089
Transfer from (to) unappropriated retained earnings, net of gain or loss on translation	197	(76)
Balance at June 30	1,717	1,013
Undistributed earnings reserve		
Balance at January 1	9,688	9,372
Capital increase	-	(4,439)
Transfer from (to) unappropriated retained earnings, net of gain or loss on translation	1,253	(412)
Balance at June 30	10,941	4,521

The accompanying notes are an integral part of these consolidated financial statements.

PETRÓLEO BRASILEIRO S.A. - PETROBRAS AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Continued)
June 30, 2005 and 2004
Expressed in Millions of United States Dollars (except per-share amounts)
(Unaudited)

	Six-month period ended June 30,	
	2005	2004
Statutory reserve		
Balance at January 1	318	235
Transfer from (to) unappropriated retained earnings, net of gain or loss on translation	41	(16)
Balance at June 30	359	219
Total appropriated retained earnings	13,017	5,753
Unappropriated retained earnings		
Balance at January 1	13,199	14,957
Net income for the period	4,165	2,644
Dividends (per share: 2005 US$ 0.85 to common and preferred shares; 2004 US$ 0.78 to common and preferred shares)	(932)	(857)
Appropriation (to) from fiscal incentive reserves	(22)	5
Appropriation (to) from reserves	(1,491)	504
Balance at June 30	14,919	17,253
Total shareholders' equity	28,519	17,655
Comprehensive income is comprised as follows:		
Net income for the period	4,165	2,644
Cumulative translation adjustments	3,134	(1,407)
Amounts not recognized as net periodic pension cost	(256)	111
Unrealized (loss) gain on available-for-sale securities	(98)	12
Total comprehensive income	6,945	1,360

The accompanying notes are an integral part of these consolidated financial statements.

PETRÓLEO BRASILEIRO S.A. - PETROBRAS AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION
Expressed in Millions of United States Dollars
(except when specifically indicated) (Unaudited)

1. Basis of Financial Statements Preparation

The accompanying unaudited condensed consolidated financial statements of Petróleo Brasileiro S.A. - PETROBRAS (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial statements. Accordingly they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These unaudited consolidated financial statements and the accompanying notes should be read in conjunction with the consolidated financial statements for the year ended December 31, 2004 and the notes thereto.

The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The consolidated financial statements as of June 30, 2005 and for the six-month periods ended June 30, 2005 and 2004, included in this report, are unaudited. However, in management's opinion, such consolidated financial statements reflect all normal recurring adjustments that are necessary for a fair presentation. The results for the interim periods are not necessarily indicative of trends or of results expected for the full year ending December 31, 2005.

The preparation of these financial statements requires the use of estimates and assumptions that reflect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto.

Certain prior period amounts have been reclassified to conform to the current period s presentation. These reclassifications had no impact on the Company s net income or shareholders equity.

Pursuant to Rule 436 (c) under the Securities Act of 1933 (the Act), this is not a report and should not be considered a part of any registration statement prepared or certified within the meanings of Sections 7 and 11 of the Act and therefore, the independent accountant s liability under Section 11 does not extend to the information included herein.

2. Derivative Instruments, Hedging and Risk Management Activities

The Company is exposed to a number of market risks arising from the normal course of its business. Such market risks principally involve the possibility that changes in interest rates, currency exchange rates or commodity prices will adversely affect the value of the Company's financial assets and liabilities or future cash flows and earnings. The Company maintains an overall risk management policy that is developed under the direction of the Company's executive officers.

The Company may use derivative and non-derivative instruments to implement its overall risk management strategy. However, by using derivative instruments, the Company exposes itself to credit and market risk. Credit risk is the failure of a counterparty to perform under the terms of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a favorable change in interest rates, currency exchange rates, or commodity prices. The Company addresses credit risk by restricting the counterparties to such derivative financial instruments to major financial institutions. Market risk is managed by the Company's executive officers. The Company does not hold or issue financial instruments for trading purposes.

a) Foreign currency risk management

The Company s foreign currency risk management strategy may involve the use of derivative instruments to protect against foreign exchange rate volatility, which may impair the value of certain of the Company s obligations. The Company currently uses zero-cost foreign exchange collars to implement this strategy.

During 2000, the Company entered into three zero cost foreign exchange collars to reduce its exposure to variations between the U.S. Dollar and the Japanese Yen, and between the U.S. Dollar and Euro relative to long-term debt denominated in foreign currencies with a notional amount of approximately US$ 470. The Company does not use hedge accounting for these derivative instruments. These collars establish a ceiling and a floor for the associated exchange rates. If the exchange rate falls below the defined floor, the counterparties will pay to the Company the difference between the actual rate and the floor rate on the notional amount. Conversely, if the exchange rate rises above the defined ceiling, the Company will pay to the counterparties the difference between the actual rate and the ceiling rate on the notional amount. The contracts expire upon the maturity date of each note.

2. Derivative Instruments, Hedging and Risk Management Activities (Continued)

a) Foreign currency risk management (Continued)

One of the Euro zero cost collars was settled on December 31, 2004, with cash of US$ 18 being received.

The call and put portion of the Company s zero cost foreign exchange collars at June 30, 2005 have a fair value of US$ 17 and US$ 1, respectively (US$ 18 and US$ 3 at December 31, 2004, respectively).

b) Crude oil price risk management

The Company is exposed to crude oil price risks as a result of the fluctuation of crude oil and oil product prices. The Company s crude oil price risk management activities primarily consist of futures contracts traded on stock exchanges and options and swaps entered into with major financial institutions. The futures contracts provide economic hedges to anticipated crude oil purchases and sales, generally forecast to occur within a 30 to 360 day period, and reduce the Company s exposure to volatile commodity prices.

The Company's exposure on these contracts is limited to the difference between contract value and market value on the volumes hedged. Crude future contracts are marked to market and related gains and losses are recognized currently under earnings, irrespective of when physical crude sales occur. During the six-month periods ended June 30, 2005 and 2004, the Company carried out economic hedging activities on 13.8% and 44.5%, respectively, of its total traded volume (imports and exports). The open positions on the futures market, compared to spot market value, resulted in a loss of US$ 1 and a loss of US$ 16 during the six-month periods ended June 30, 2005 and 2004, respectively.

2. Derivative Instruments, Hedging and Risk Management Activities (Continued)

c) Natural gas derivative contract

In connection with the long-term contract to buy gas (The Gas Supply Agreement or "GSA") to supply thermoelectric plants and for other uses in Brazil, the Company entered into a contract, with a gas producer that constituted a derivative financial instrument under SFAS 133. This contract, the Natural Gas Price Volatility Reduction Contract (the "PVRC"), was executed with the purpose to reduce the volatility of price under the GSA.

The terms of the PVRC include for the period from 2005 to 2019, a collar with PETROBRAS receiving cash payments when the calculated price is over the established ceiling and PETROBRAS making cash payments when the price is below the established floor, with no cash payments being made when the price is between the ceiling and the floor.

As of June 30, 2005 and December 31, 2004, the Company recorded a liability of US$ 148 and US$ 153, respectively, which is deemed a deferred purchase incentive, and which is being amortized into cost of sales on the basis of the volumes anticipated under the PVRC. At June 30, 2005, the Company recorded a gain in the amount of US$ 3, net of deferred tax effect of US$ 2, related to the amortization of this deferred purchase incentive.

As of June 30, 2005 and December 31, 2004, the Company recorded a derivative asset based on the fair value calculation in the amount of US$ 497 and US$ 635, respectively. At June 30, 2005 the Company recorded a mark-to-market (or MTM) loss in the amount of US$ 68, net of deferred tax effect of US$ 35. The derivative losses are recorded as a component of financial expenses. The decrease in the fair value calculation for the PVRC contract was principally attributable to a change in Bolivia Hydrocarbon Tax Law, whose concepts are included in calculation of the ceiling and floor price.

2. Derivative Instruments, Hedging and Risk Management Activities (Continued)

d) Interest Rate Risk Management

The Company s interest rate risk is a function of the Company s long-term debt and, to a lesser extent, short-term debt. The Company s foreign currency floating rate debt is principally subject to fluctuations in LIBOR and the Company s floating rate debt denominated in Reais is principally subject to fluctuations in the Brazilian long-term interest rate (TJLP), as fixed by the Brazilian Central Bank. The Company currently does not utilize derivative financial instruments to manage its exposure to fluctuations in interest rates. However, the Company has been studying various forms of derivatives to reduce its exposure to interest rate fluctuations and may use these financial instruments in the future.

e) Risk management activity at PEPSA

PEPSA also uses derivative instruments such as options, swaps and others, mainly to mitigate the impact of changes in crude oil prices, interest rates and future exchange rates. Such derivative instruments are designed to mitigate specific exposures, and are assessed periodically to assure high correlation of the derivative instrument to the risk exposure identified and to assure the derivative is highly effective in offsetting changes in cash flows inherent in the covered risk. PEPSA qualifies for hedge accounting treatment for its crude oil derivative instruments and its interest rate swap derivative instruments.

3. Income Taxes

Substantially all of the Company s taxable income is generated in Brazil and is therefore subject to the Brazilian statutory tax rate. The following table reconciles the tax calculated based upon statutory tax rates to the income taxes expense recorded in these consolidated financial statements.

	Six-month period ended June, 30	
	2005	2004
Income before income taxes and minority interest	6,614	3,904
Tax expense at statutory rates (34 %)	(2,249)	(1,327)
Adjustments to derive effective tax rate:		
Non-deductible post-retirement and health-benefits	(118)	(72)
Tax benefit on interest on shareholders equity	317	139
Others	(33)	(73)
Income tax expense per consolidated statement of income	(2,083)	(1,333)

4. Inventories

	June 30, 2005	December 31, 2004
Products		
Oil products	2,372	1,728
Fuel alcohol	69	72
	2,441	1,800
Raw materials, mainly crude oil	2,221	2,286
Materials and supplies	770	697
Others	202	121
	5,634	4,904

5. Receivable from Federal Government

a) Changes in the Petroleum and alcohol account

The following summarizes the changes in the Petroleum and alcohol account for the six-month period ended June 30, 2005:

	Six-month period ended June 30, 2005
Opening balance	282
Financial income	4
Translation gain	36
Ending balance	322

b) Certification by the Federal Government

The ANP/STN Integrated Audit Committee submitted, on June 23, 2004, its final report certifying and approving the balance of the Petroleum and alcohol account. The conclusion of this audit process for the Petroleum and alcohol account establishes the basis for concluding the settlement process between the Federal Government and PETROBRAS.

c) National Treasury Bonds Series H (NTN-H)

The Company and the Federal Government reached an agreement whereby the Federal Government issued National Treasury Bonds - H (NTN-H) into a federal depositary on behalf of the Company to support the balance of the Petroleum and alcohol account.

As of June 30, 2004, there were 138,791 National Treasury Notes series H (NTN-H), in the amount of US$ 56, at which time the balance of the Petroleum and alcohol account was US$ 241. Upon maturity of the NTNs-H, the Federal Government made US$ 3 available to PETROBRAS and the remaining US$ 53 was deposited in an account in the Company s name, however, such amount is restricted from use by order of STN. The legal, valid, and binding nature of the account is not affected by any difference between the balance of the account and the value of the outstanding bonds.

5. Receivable from Federal Government (Continued)

d) Settlement of the Petroleum and alcohol account with the Federal Government

The remaining balance of the Petroleum and alcohol account may be paid as follows:

- National Treasury Bonds issued at the same amount as the final balance of the Petroleum and alcohol account as determined by the audit;
- Offset of the balance of the Petroleum and alcohol account, with any other amount owed by PETROBRAS to the Federal Government, including taxes; or
- by a combination of the above options.

6. Financings

a) Short-term debt

The Company's short-term borrowings are principally sourced from commercial banks and include import and export financing denominated in United States dollars, as follows:

	June 30, 2005	December 31, 2004
Imports - oil and equipment	482	456
Working capital	605	91
	1,087	547

The weighted average annual interest rates on outstanding short-term borrowings were 4.56% and 4.43% at June 30, 2005 and December 31, 2004, respectively.

6. Financings (Continued)

b) Long-term debt

- Composition

	June 30, 2005	December 31, 2004
Foreign currency		
Notes	5,644	6,440
Financial institutions	3,244	3,217
Sale of future receivables	1,635	1,707
Suppliers credits	1,096	726
Senior exchangeable notes	330	330
Assets related to export program to be offset against sales of future receivables	(300)	(300)
Repurchased securities (1)	(346)	(291)
	11,303	11,829
Local currency		
Debentures	936	814
National Economic and Social Development Bank BNDES	320	343
Debentures (related party)	301	274
Others	96	84
	1,653	1,515
Total	12,956	13,344
Current portion of long-term debt	(1,372)	(1,199)
	11,584	12,145

(1) At June 30, 2005 and December 31, 2004, the Company had amounts invested abroad in an exclusive investment fund that held debt securities of some of the PETROBRAS group companies and some of the SPEs that the Company consolidates according to FIN 46, in the total amount of US$ 2,068 and US$ 2,013, respectively. These securities are considered to be extinguished, and thus the related amounts, together with applicable interest have been removed from the presentation of marketable securities and long-term debt, of US$ 346 and US$ 291, respectively, and project financings, of US$ 1,722 in both periods. See also Note 8. Gains and losses on extinguishment are recognized as incurred. Subsequent reissuances of notes at amounts greater or lower than par are recorded as premium or discounts and are amortized over the life of the notes. In the six-month period ended June 30, 2005, PETROBRAS recognized net losses on extinguishment of debt of US$ 15 and had no debt reissuances.

6. **Financings** (Continued)

b) Long-term debt (Continued)

• Composition of foreign currency denominated debt by currency

	June 30, 2005	December 31, 2004
Currency		
United States dollars	10,563	10,949
Japanese Yen	462	553
Euro	278	326
Others	-	1
	11,303	11,829

• Maturities of the principal of long-term debt

The long-term portion at June 30, 2005 becomes due in the following years:

2006	739
2007	2,051
2008	1,568
2009	865
2010	1,490
2011 and thereafter	4,871
	11,584

6. Financings (Continued)

b) Long-term debt (Continued)

- Composition of long-term debt by annual interest rate

Interest rates on long-term debt were as follows:

	June 30, 2005	December 31 2004
Foreign currency		
6% or less	4,085	4,769
Over 6% to 8%	2,385	2,178
Over 8% to 10%	4,482	4,552
Over 10% to 15%	351	330
	11,303	11,829
Local currency		
6% or less	373	393
Over 8% to 10%	275	248
Over 10% to 15%	1,005	874
	1,653	1,515
	12,956	13,344

7. Financial Income (Expenses), Net

Financial expenses, financial income and monetary and exchange variation on monetary assets and liabilities, net, allocated to income for the six-month periods ended June 30, 2005 and 2004 are shown as follows:

	Six-month period ended June 30,	
	2005	2004
Financial expenses		
Loans and financings	(539)	(549)
Capitalized interest	251	110
Leasing	(48)	(57)
Project financings	(142)	(188)
Losses on derivative instruments	(87)	(125)
Repurchased securities losses	(15)	(113)
Losses on fair value of gas hedge	(103)	-
Others	(61)	(13)
	(744)	(935)

Financial income		
Investments	(68)	341
Advances to suppliers	18	16
Government securities	24	10
Others	111	78
	85	445
Monetary and exchange variation		
Monetary and exchange variation on monetary assets	93	252
Monetary and exchange variation on monetary liabilities	360	(572)
	453	(320)
	(206)	(810)

8. Project Financings

Since 1997, the Company has utilized project financing to provide capital for the continued development of the Company s exploration and production and related projects. Project financing special purpose entities are consolidated on a line by line basis and the project financings obligation represents the debt of the consolidated SPE with the third-party lender. The Company s responsibility under these contracts is to complete the development of the oil and gas fields, operate the fields, pay for all operating expenses related to the projects and remit a portion of the net proceeds generated from the fields to fund the special purpose companies debt and return on equity payments. At the conclusion of the term of each financing project, the Company will have the option to purchase the leased or transferred assets from the consolidated special purpose company.

The following summarizes the liabilities related to the projects that were in progress at June 30, 2005 and December 31, 2004:

	June 30, 2005	December 31, 2004
Barracuda/Caratinga	2,686	2,534
Companhia Locadora de Equipamentos Petrolíferos CLEP (1)	1,724	1,700
Cabiúnas	964	1,045
Espadarte/Voador/Marimbá (EVM)	457	516
Nova Marlim	460	386
Marlim	584	593
Nova Transportadora do Sudeste NTS	288	260
Nova Transportadora do Nordeste NTN	223	141
PDET S.A.	187	111
Pargo, Carapeba, Garoupa and Cherne (PCGC)	52	67
Albacora	75	81
Transportadora Urucu Manaus (2)	61	-
Repurchased securities (3)	(1,722)	(1,722)
	6,039	5,712
Current portion of project financings	(2,067)	(1,313)
	3,972	4,399

(1) Former Langstrand Holdings S.A.

(2) Transportadora Urucu - Manaus S.A is responsible for the development of a Gas and Energy project which relates to the construction of a 395 km gas pipeline between Coari and Manaus.

(3) At June 30, 2005 and December 31, 2004, the Company had amounts invested abroad in an exclusive investment fund. These securities are considered to be extinguished, and thus the related amounts, together with applicable interest have been removed from the presentation of marketable securities and project financings. See also Note 6.

8. Project Financings (Continued)

At June 30, 2005, the long-term portion of project financing becomes due in the following years:

2006	766
2007	955
2008	729
2009	620
2010	855
2011 and thereafter	47
	3,972

As of June 30, 2005, the amounts of cash outlay commitments assumed related to consolidated structured project financings are presented as follows:

PDET S.A.	723
Nova Transportadora do Sudeste NTS	176
Nova Transportadora do Nordeste NTN	225
	1,124

9. Capital Lease Obligations

The Company leases certain offshore platforms and vessels, which are accounted for as capital leases. At June 30, 2005, these assets had a net book value of US$ 1,484 (US$ 1,518 at December 31, 2004).

The following is a schedule by year of the future minimum lease payments at June 30, 2005:

2005	181
2006	297
2007	276
2008	243
2009	220
2010	171
2011 and thereafter	207
Estimated future lease payments	1,595
Less amount representing interest at 6.2% to 12.0% annual	(370)
Less amount representing executory costs	(2)
Present value of minimum lease payments	1,223
Less current portion of capital lease obligations	(250)
Long-term portion of capital lease obligations	973

10. Thermoelectric Liabilities

The balance of thermoelectric obligations was US$ 825 and US$ 1,095 at June 30, 2005 and December 31, 2004, respectively.

On August 13, 2004, the Board of Directors of PETROBRAS approved the financial conditions for the acquisition of 100% interest of Eletrobolt Thermoelectric plant. The documentation for acquisition of Sociedade Fluminense de Energia (SFE), the owner of Eletrobolt, was signed April 29, 2005, thus concluding the process for acquisition of that company. The agreed-upon price of its shares is US$ 65. The Company s previous investment on Eletrobolt was being accounted for in accordance to FIN 46 and the acquisition was accounted for as a business combination but had no material impact on PETROBRAS consolidated accounting records. Due to the immateriality, proforma information has not been presented.

10. Thermoelectric Liabilities (Continued)

In February, 2005, in order to facilitate the financial restructuring process of Termorio, PETROBRAS acquired the remaining 50% interest of Termorio´s voting capital from NRG for US$ 83 bringing its ownership to 100% of total and voting capital. The Company s previous investment on Termorio was being accounted for in accordance to FIN 46 and the acquisition was accounted for as a business combination but had no material impact on PETROBRAS consolidated accounting records. Due to the immateriality, proforma information has not been presented.

On June 24, 2005, PETROBRAS acquired Termoceará Ltda. This is a plant with net generation capacity of 220 MW/h, of the *Merchant* type, for which PETROBRAS executed between 2001 and 2002 a contract with a clause for contingent payments related to taxes, charges and tariffs, operational costs, maintenance and investments (*capacity)*, in case the plant did not generate revenues sufficient to cover these costs. The acquisition price was equal to US$ 137, of which US$ 81 related to the purchase of tangible assets of the thermoelectric plant and US$ 56 was designated to settle of payables to the lenders of the project (BNDES and Eximbank). The excess of amounts paid over fair value of assets acquired is attributable to intangible assets and goodwill. The Company s previous investment on Termoceará was being accounted for in accordance to FIN 46 and the acquisition was accounted for as a business combination but had no material impact on PETROBRAS consolidated accounting records. Due to the immateriality, proforma information has not been presented.

11. Employees Postretirement Benefits and Other Benefits

The Company sponsors a contributory defined benefit pension plan covering substantially all of its employees and provides certain health care benefits for a number of active and retired employees. In 2004, the Company made contributions of US$ 221 to pension and health care plans.

Net periodic benefit cost includes the following components:

	As of June 30,			
	2005		2004	
	Pension benefits	Health care benefits	Pension benefits	Health care benefits
Service cost benefits earned during the period	70	35	66	22
Interest on projected benefit obligation	653	231	426	169
Expected return on plan assets	(442)	-	(300)	-
Amortization of net (gain)/ loss	187	70	-	-
Translation (gain)/ loss	1	(1)	(14)	(10)
Recognized actuarial loss	-	-	120	40
	469	335	298	221
Employees contributions	(59)	-	(49)	-
Net periodic benefit cost	410	335	249	221

12. Shareholders Equity

The Company s subscribed and fully paid-in capital at June 30, 2005 and December 31, 2004 consisted of 634,168,418 common shares and 462,369,507 preferred shares.

The dividends for the year ended 2004, as approved at the General Shareholder s Meeting held March 31, 2005, amounted to US$ 1,900, corresponding to R$ 4.60 per share (US$ 1.73 per share calculated by year-end exchange rate), include the portion of interest on shareholders equity approved by the Board of Directors on September 17, 2004 and paid to the shareholders on February 15, 2005, amounting to US$ 1,239, corresponding to R$ 3.00 per share (US$ 1.13 per share calculated by year-end exchange rate). The balance of dividends (US$ 248) and the portion of the interest on shareholders equity (US$ 413) were made available to stockholders on May 17, 2005, the deadline stipulated pursuant to Articles 132, item II, and 205, paragraph 3, of the Brazilian Corporation Law (No. 6.404/76) .

12. Shareholders Equity (Continued)

On June 17, 2005, the Board of Directors of the Company approved the distribution of interest on shareholders equity to shareholders in the amount of US$ 933, as provided for in article 9 of Law No. 9,249/95 and Decrees No. 2,673/98 and No. 3,381/00.

This amount will be made available to shareholders up to January 31, 2006, based on their shareholdings at June 30, 2005, corresponding to US$ 0.85 per common and preferred share, and will be discounted from the dividends that come to be determined based on adjusted net income for 2005, and monetarily adjusted by reference to the Selic variation if paid before December 31, 2006, from the date of actual payment through to the end of said year. If paid in 2005, the amount to be distributed will be monetarily adjusted based on the Selic variation as from December 31, 2005 to the date of beginning of payment.

Basic and diluted earnings per share amounts have been calculated as follows:

	Six-month period ended June 30,	
	2005	2004
Net income for the period	4,165	2,644
Less priority preferred share dividends	(377)	(244)
Less common shares dividends, up to the priority preferred shares dividends on a per-share basis	(517)	(335)
Remaining net income to be equally allocated to common and preferred shares	3,271	2,065
Weighted average number of shares outstanding		
Common/ADS	634,168,418	634,168,418
Preferred/ADS	462,369,507	462,369,507
Basic and diluted earnings per share		
Common/ADS and Preferred/ADS	3.80	2.41

13. Commitments and Contingencies

PETROBRAS is subject to a number of commitments and contingencies arising in the normal course of its business. Additionally, the operations and earnings of the Company have been, and may be in the future, affected from time to time in varying degrees by political developments and laws and regulations, such as the Federal Government's continuing role as the controlling shareholder of the Company, the status of the Brazilian economy, forced divestiture of assets, tax increases and retroactive tax claims, and environmental regulations. The likelihood of such occurrences and their overall effect upon the Company are not readily determinable.

a) Litigation

The Company is a defendant in numerous legal actions involving civil, tax, labor, corporate and environment issues arising in the normal course of its business. Based on the advice of its internal legal counsel and management s best judgment, the Company has recorded accruals in amounts sufficient to provide for losses that are considered probable and reasonably estimable. The following presents these accruals by nature of claim:

	June 30, 2005	December 31, 2004
Labor claims	32	26
Tax claims	91	73
Civil claims	141	123
Commercials claims and other contingencies	36	35
	300	257
Contingencies for joint liability	79	107
Total	379	364
Current contingencies	91	131
Long-term contingencies	288	233

As of June 30, 2005 and December 31, 2004, in accordance with Brazilian law, the Company had paid US$ 866 and US$ 699, respectively, into federal depositories to provide collateral for these and other claims until they are settled. These amounts are reflected in the balance sheet as restricted deposits for legal proceedings and guarantees.

13. Commitments and Contingencies (Continued)

b) Environmental matters

The Company is subject to various environmental laws and regulations. These laws regulate the activities involving discharge of oil, gas or other materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of such materials at various sites.

14. Segment Information

The following presents the Company's assets by segment:

	As of June 30, 2005							
	Exploration and Production	Supply	Gas and Energy	International (see separate disclosure)	Distribution	Corporate	Eliminations	Total
Current assets	2,437	8,929	1,130	2,300	2,011	7,719	(3,149)	21,377
Cash and cash equivalents	560	480	261	545	101	5,282	-	7,229
Other current assets	1,877	8,449	869	1,755	1,910	2,437	(3,149)	14,148
Investments in non-consolidated companies and other investments	9	806	337	522	20	100	-	1,794
Property, plant and equipment, net	23,810	7,596	5,246	4,329	1,187	832	(33)	42,967
Non current assets	1,263	389	1,283	388	280	5,046	(3,587)	5,062
Petroleum and alcohol account	-	-	-	-	-	322	-	322
Government securities	-	-	-	-	-	352	-	352
Other assets	1,263	389	1,283	388	280	4,372	(3,587)	4,388
Total assets	27,519	17,720	7,996	7,539	3,498	13,697	(6,769)	71,200

14. Segment Information (Continued)

	As of June 30, 2005						
	International						
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Current assets	1,449	707	402	86	711	(1,055)	2,300
Cash and cash equivalents	141	46	4	5	349	-	545
Other current assets	1,308	661	398	81	362	(1,055)	1,755
Investments in non-consolidated companies and other investments	170	47	246	-	59	-	522
Property, plant and equipment, net	3,471	521	207	75	55	-	4,329
Non current assets	377	32	32	23	1,666	(1,742)	388
Other assets	377	32	32	23	1,666	(1,742)	388
Total assets	5,467	1,307	887	184	2,491	(2,797)	7,539

14. Segment Information (Continued)

	As of December 31, 2004							
	Exploration and Production	Supply	Gas and Energy	International (see separate disclosure)	Distribution	Corporate	Eliminations	Total
Current assets	2,551	7,341	1,139	1,940	1,717	6,506	(1,768)	19,426
Cash and cash equivalents	878	496	178	490	104	4,710	-	6,856
Other current assets	1,673	6,845	961	1,450	1,613	1,796	(1,768)	12,570
Investments in non-consolidated companies and other investments	8	919	307	516	25	87	-	1,862
Property, plant and equipment, net	20,458	6,333	4,506	4,160	1,011	571	(19)	37,020
Non current assets	1,270	438	1,331	316	265	6,783	(5,629)	4,774
Petroleum and alcohol account	-	-	-	-	-	282	-	282
Government securities	-	-	-	-	-	326	-	326
Other assets	1,270	438	1,331	316	265	6,175	(5,629)	4,166
Total assets	24,287	15,031	7,283	6,932	3,018	13,947	(7,416)	63,082

14. Segment Information (Continued)

	As of December 31, 2004						
	International						
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Current assets	1,112	579	272	99	638	(760)	1,940
Cash and cash equivalents	151	45	2	6	286	-	490
Other current assets	961	534	270	93	352	(760)	1,450
Investments in non-consolidated companies and other investments	159	50	239	-	68	-	516
Property, plant and equipment, net	3,317	507	199	87	50	-	4,160
Non current assets	310	26	11	11	1,399	(1,441)	316
Other assets	310	26	11	11	1,399	(1,441)	316
Total assets	4,898	1,162	721	197	2,155	(2,201)	6,932

14. Segment Information (Continued)

Revenues and net income by segment are as follows:

	Six-month period ended June 30, 2005							
	Exploration and Production (1)	Supply (1)	Gas and Energy	International (see separate disclosure)	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	799	14,189	845	1,725	6,870	-	-	24,428
Inter-segment net operating revenues	11,544	5,368	525	372	106	-	(17,915)	-
Net operating revenues	12,343	19,557	1,370	2,097	6,976	-	(17,915)	24,428
Cost of Sales	(4,714)	(16,469)	(937)	(1,059)	(6,292)	-	16,857	(12,614)
Depreciation, depletion and amortization	(732)	(320)	(47)	(231)	(45)	(26)	-	(1,401)
Exploration, including exploratory dry holes	(230)	-	-	(46)	-	-	-	(276)
Selling, general and administrative expenses	(152)	(541)	(138)	(190)	(416)	(450)	-	(1,887)
Research and development expenses	(61)	(21)	(10)	(1)	(1)	(72)	-	(166)
Other operating expenses	(33)	(22)	(92)	(29)	-	-	-	(176)
Costs and expenses	(5,922)	(17,373)	(1,224)	(1,556)	(6,754)	(548)	16,857	(16,520)
Equity in results of non-consolidated companies	-	5	31	33	-	5	-	74
Financial income (expenses), net	139	21	(61)	(218)	(17)	(70)	-	(206)

Employee benefit expense for non active participants	-	(1)	-	-	(19)	(438)	-	(458)
Other taxes	(9)	(15)	(11)	(21)	(32)	(79)	-	(167)
Other expenses, net	(41)	(82)	(154)	7	(27)	(183)	(57)	(537)
Income (loss) before income taxes and minority interest	6,510	2,112	(49)	342	127	(1,313)	(1,115)	6,614
Income tax benefits (expense)	(2,190)	(676)	(4)	(116)	(57)	584	376	(2,083)
Minority interest	(217)	(34)	(73)	(42)	-	-	-	(366)
Net income (loss)	4,103	1,402	(126)	184	70	(729)	(739)	4,165

(1) In 2005 revenues from commercialization of oil to third parties are being classified in accordance with the points of sale, which could be Exploration & Production or Supply segments. Until 2004, revenues from commercialization of oil were completely allocated to Exploration & Production. This classification generated no significant impact on the results reported for these segments and segments information has not been restated as it is impractical to gather and collect data for prior periods as to point of sale.

14. Segment Information (Continued)

	Six-month period ended June 30, 2005						
	International						
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	456	506	241	522	-	-	1,725
Inter-segment net operating revenues	655	625	15	1	-	(924)	372
Net operating revenues	1,111	1,131	256	523	-	(924)	2,097
Cost of sales	(271)	(1,004)	(199)	(502)	-	917	(1,059)
Depreciation, depletion and amortization	(181)	(32)	(6)	(5)	(7)	-	(231)
Exploration, including exploratory dry holes	(46)	-	-	-	-	-	(46)
Selling, general and administrative expenses	(54)	(29)	(3)	(32)	(72)	-	(190)
Research and development expenses	-	-	-	-	(1)	-	(1)
Other operating expenses	(38)	5	6	-	(3)	1	(29)
Costs and expenses	(590)	(1,060)	(202)	(539)	(83)	918	(1,556)
Equity in results of non-consolidated companies	3	8	2	-	19	1	33
Financial income (expenses), net	(134)	(2)	-	-	(82)	-	(218)
Other taxes	(2)	(3)	-	(1)	(15)	-	(21)
Other expenses, net	(1)	-	-	-	8	-	7
Income (loss) before income taxes and minority interest	387	74	56	(17)	(153)	(5)	342
Income tax benefits (expense)	(133)	(20)	(13)	6	44	-	(116)
Minority interest	(32)	(15)	(6)	2	9	-	(42)

Net income (loss)	222	39	37	(9)	(100)	(5)	184

14. Segment Information (Continued)

Six-month period ended June 30, 2004

	Exploration and Production	Supply	Gas and Energy	International (see separate disclosure)	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	1,156	9,417	738	1,436	4,042	-	-	16,789
Inter-segment net operating revenues	7,329	3,291	133	188	72	-	(11,013)	-
Net operating revenues (1)	8,485	12,708	871	1,624	4,114	-	(11,013)	16,789
Cost of Sales	(3,184)	(11,117)	(829)	(827)	(3,693)	-	10,975	(8,675)
Depreciation, depletion and amortization	(679)	(192)	(48)	(214)	(18)	(12)	-	(1,163)
Exploration, including exploratory dry holes	(160)	-	-	(44)	-	-	-	(204)
Selling, general and administrative expenses	(106)	(416)	(75)	(153)	(226)	(270)	67	(1,179)
Research and development expenses	(51)	(27)	(4)	(1)	(2)	(29)	-	(114)
Other operating expenses	(29)	(53)	(44)	(34)	-	-	17	(143)
Costs and expenses	(4,209)	(11,805)	(1,000)	(1,273)	(3,939)	(311)	11,059	(11,478)
Equity in results of non-consolidated companies	-	13	41	47	-	1	-	102
Financial income (expenses), net	(304)	(70)	(139)	(213)	(12)	(72)	-	(810)
Employee benefit expense	-	-	-	-	-	(312)	-	(312)
Other taxes	(3)	(14)	(13)	(17)	(25)	(198)	-	(270)

Other expenses, net	(47)	(21)	(17)	22	(16)	(39)	1	(117)
Income (loss) before income taxes and minority interest	3,922	811	(257)	190	122	(931)	47	3,904
Income tax benefits (expense)	(1,533)	(260)	52	(4)	(46)	473	(15)	(1,333)
Minority interest	61	(5)	70	(53)	-	-	-	73
Net income (loss)	2,450	546	(135)	133	76	(458)	32	2,644

(1) Net operating revenues and the cost of sales relative to the periods prior to third quarter of 2004 were reclassified between the International segment and the Supply segment in relation to offshore operations that were being allocated to the International segment. There was no significant impact on the results reported for these segments. .

14. Segment Information (Continued)

	Six-month period ended June 30, 2004						
	International						
	Exploration and Production	Supply	Gas and Energy	Distribution	Corporate	Eliminations	Total
Net operating revenues to third parties	350	457	181	433	15	-	1,436
Inter-segment net operating revenues	508	521	14	5	-	(860)	188
Net operating revenues	858	978	195	438	15	(860)	1,624
Cost of sales	(221)	(845)	(157)	(440)	(15)	851	(827)
Depreciation, depletion and amortization	(167)	(31)	(6)	(5)	(5)	-	(214)
Exploration, including exploratory dry holes	(44)	-	-	-	-	-	(44)
Selling, general and administrative expenses	(46)	(24)	(4)	(29)	(50)	-	(153)
Research and development expenses	-	-	-	-	(1)	-	(1)
Other operating expenses	-	-	(34)	-	-	-	(34)
Costs and expenses	(478)	(900)	(201)	(474)	(71)	851	(1,273)
Equity in results of non-consolidated companies	2	8	7	-	30	-	47
Financial income (expenses), net	(153)	(5)	-	-	(55)	-	(213)
Other taxes	(2)	(3)	-	(3)	(9)	-	(17)
Other expenses, net	(26)	1	39	-	8	-	22
Income (loss) before income taxes and minority interest	201	79	40	(39)	(82)	(9)	190
Income tax benefits (expense)	(72)	(22)	(6)	14	82	-	(4)
Minority interest	3	(2)	(1)	(2)	(51)	-	(53)

Net income (loss)	132	55	33	(27)	(51)	(9)	133

36

14. Segment Information (Continued)

Capital expenditures incurred by segment for the six-month periods ended June 30, 2005 and 2004 are as follows:

	Six-month period ended June 30,	
	2005	2004
Exploration and Production	2,578	1,875
Supply	803	626
Gas and Energy	342	73
International		
Exploration and Production	361	218
Supply	26	21
Distribution	4	7
Gas and Energy	7	3
Distribution	94	47
Corporate	190	85
	4,405	2,955

15. Subsequent Events

a) Stock split

On July 22, 2005, the Extraordinary General Meeting approved a four to one stock split, resulting in the distribution of 3 (three) new shares of the same class for each share held, based on the shareholding structure at August 31, 2005. At the same date, an amendment to Article 4 of the Company s By Laws to cause capital be divided into 4,386,151 thousand shares, of which 2,536,673 thousand are common and 1,849,478 thousand are preferred shares, with no nominal value, was approved; such amendment to the Company s By Laws will be effective from September 1, 2005. The relation between American Depository Receipt *(ADR)* and shares of each class will be changed from one to four shares for one ADR. The effect of the stock split will be reflected retrospectively in all future financial statements issued after the effective date of stock split.

b) Acquisition of CEG-RIO

PETROBRAS, through its subsidiary Petrobras Gás S/A - GASPETRO, concluded on July 11, 2005 the acquisition of 12.41% of the shares (common and preferred) of Distribuidora de Gás Natural Canalizado CEG-RIO, for US$16.5. With this acquisition, the shareholdings of GASPETRO in said company are increased to 37.41% . The Company will account for its investment using the equity method, retrospectively from the date of the initial investment.

c) Approval of Shelf Registration by Securities and Exchange Commission SEC

On July 28, Securities and Exchange Commission SEC approved the Shelf Registration of PETROBRAS and its subsidiary PETROBRAS INTERNACIONAL FINANCE COMPANY, enabling the Company to issue fixed or variable marketable securities of up to US$ 6.5 billion over the next 24 months. Such issuances, if and when occurring, to be subject to registered debt offering memorandums and other public offerings requirements.

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: August 24, 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 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 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.