BRAZILIAN PETROLEUM CORP
Form 6-K
November 13, 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 November, 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 RESULTS FOR THE THIRD QUARTER 2006

(Rio de Janeiro November 10, 2006) PETRÓLEO BRASILEIRO S.A. PETROBRAS today announced its consolidated results expressed in millions of Reais, in accordance with Brazilian GAAP.

PETROBRAS s consolidated net income was R$ 7.085 million in the third quarter of 2006, 26% higher than net income reported in the third quarter of 2005.

For the period from January to September 2006, consolidated net income was R$ 20.719 million, an increase of 33% when compared to the same period of 2005, with a 6% increase in domestic crude oil and NGL production and a 3% increase in production of oil products. Operating cash generation as measured by EBITDA was R$ 40.639 million, enabling the Company to fully fund its investment plan, while reducing leverage.

Total capital spending for PETROBRAS totaled R$ 22.637 million during the first nine months of 2006 (34% above the same period of the prior year), of which R$ 11.404 million was invested to expand the future capacity of oil and gas production in Brazil

- Consolidated net operating revenue totaled R$ 43.363 million in the 3Q06, representing a 21% increase versus 3Q05.

- Third quarter consolidated net income reached R$ 7.085 million, 26% higher than the same quarter of 2005. This increase was mainly due to higher prices realized for oil products in the domestic market, including diesel, gas, and naphta, as well as higher volumes of exported oil.

  The tax benefit from provisioning for interest on capital increased profitability by R$ 1.492 million in 3Q06.

- Domestic crude oil and NGL production in 3Q06 reached an average of 1,779 thousand barrels/day, of which 82% was from the Bacia de Campos (1,455 thousand barrels/day), representing a 3% increase over the 3Q05.

  Total oil, NGL, and natural gas production, from both domestic and international sources, averaged 2,301 thousand barrels of oil equivalent per day during the third quarter.

- As of September 30, 2006, net indebtedness for the PETROBRAS system was R$ 19.619 million, 6% lower than reported on June 30, 2006 (R$ 20.808 million). This decline reflects increased levels of operating cash generation during the year, which exceeded the company s net debt.

- Value added by PETROBRAS during the period from January to September 2006 was R$ 92.955 million, 13% higher than in the same period of 2005. Of this, R$ 55.026 million went to government take, as well as federal, state, and municipal taxes, R$ 8.349 million to suppliers and institutional financers for financial charges, rent and charters, with R$ 21.970 million to shareholders and R$ 7.610 million for salaries, benefits and charges.

This document is divided into 5 sections:

PETROBRAS SYSTEM

Comments from the President, Mr. José Sérgio Gabrielli de Azevedo

Dear shareholders and investors, before commenting on our activities during the third quarter, I would like to highlight that our excellent results will allow for a distribution of interest on capital in the amount of R$ 4.387 million, equivalent to R$ 1,00 for each common and preferred share (R$ 4,00 per ADR), to be paid by January 15, 2007.

It is also important to note that on October 23rd, we set a record production level of 1,912,733 barrels of oil in Brazil. This record is another decisive step for Petrobras on its path to achieving a production target of 2 million barrels per day before year end. It also confirms the capacity of Brazil to reach and maintain oil self-sufficiency on a sustainable basis.

These results are supported by the consistent expansion of our capital investment throughout each of our business segments. Our growing capital expenditures are the foundation by which we can meet the targets we have set for the company in our strategic plan. Towards this end, Petrobras investments achieved record levels, totaling R$22.637 million in the first nine months of the year, an increase of 34% in relation to the same period of 2005.

Another important development was the signing of a new accord with YPFB for exploration and production in Bolivia. This accord will permit us to profitably maintain our operations in the country. Our agreement was the result of exhaustive negotiations between both sides, confirming that our strategy of discussion and negotiation is the best approach for resolving contractual differences and encouraging commercial and business logic to prevail. This accord will now be submitted to the Bolivian Congress for ratification.

The Board of Directors approved a new pension plan (*Petros 2)* that will provide retirement benefits to more than 16 thousand employees who have been hired by the Company since August 2002, and do not yet have a plan. The essential elements of the new plan follow the terms already negotiated in collective bargaining agreements since 2004. This plan is now being submitted for approval to the regulatory agencies, to be followed by an offer to the employees.

We closed the third quarter with net income of R$ 7.085 million, representing a 26% increase over the same period of last year. This result reflects the increase in average oil production in Brazil and abroad, which totaled 1,903 thousand barrels per day during the quarter, surpassing production during the second quarter of 2006 which had been reduced by programmed field and platform maintenance.

Reliable operating performance at Petrobras refineries led to a utilization factor of 89% of capacity, while the percentage of national oil in the feedstock was maintained at 79%.

The combination of higher production and stable refining output enabled the Company not only to fully supply the Brazilian market but also to maintain our position as the largest exporter in Brazil. On a net basis, Petrobras exported 54 thousand bpd of oil and oil products during the third quarter.

Through the continued efforts of our Exploration and Production segment in Brazil, we have discovered the existence of significant volumes of light oil (30º API) in Santos Basin. The discovery came with a final vertical well test 1-RJS-628A that encountered a highly productive reservoir situated below a two thousand meter-thick salt layer (pre-salt).

In the international segment, our activities in the Gulf of Mexico were intensified through our Houston based subsidiary, Petrobras America Inc.(PAI). Through PAI we acquired and became operator of an additional 25% ownership in the Cascade field, and 26.67% in the Chinook fields, both part of the exciting new play in the lower tertiary in the Gulf. Upon finalizing these transactions, Petrobras will hold 50% of the working interest in Cascade and 71.67% in Chinook. We plan to develop these fields with an FPSO (Floating Production Storage and Offloading) platform, which would be the first time such unit will be used in the Gulf of Mexico. To accelerate our investment program in these promising areas, Petrobras has contracted two ultra-deep water drilling rigs. The two rigs are currently under construction and should begin operations during the first quarter of 2009.

In the international downstream, we recently completed our acquisition of 50% of the Pasadena Texas refinery for approximately US$ 360 million. The processing capacity of the unit will be expanded and adapted to process heavy oil from Campos Basin and convert it into high quality oil products that meet the regulatory and environmental standards of the United States.

Also in our international segment, through our subsidiary Petrobras Energia, we recently formed a consortium to explore, develop and commercialize oil and natural gas in the deep waters off Argentine s continental shelf. Petrobras Energia will participate in the consortium with a 35% stake and will be the operator. The exploration area is located 250 kilometers from the city of Mar del Plata, in water depths of between 200 and 3,000 meters.

Among noteworthy accomplishments in finance, we concluded a placement of US$ 500 million of registered Global Notes in the international capital markets. This represents the first Petrobras issuance following our classification by Moody´s Investor Services as an investment grade company. We received offers of US$ 1.3 billion in only 18 minutes, with more than 90% of offers originated by investment grade investors. The issuance strategy was done in conjunction with a tender offer for outstanding bonds that permitted the retirement of nearly U.S. $900MM of high coupon notes.

We also reentered the Japanese market with a private placement of notes in the amount of ¥ 35 billion (approximately US$ 300 million). This placement allows the Company not only to become better known in a deep market, but also to access a new investor base at a competitive cost based on the company s investment grade rating.

To finalize our list of accomplishments during the quarter, I would like to mention that Petrobras is now listed in the Dow Jones International Sustainability Index (DJSI), the world s most important index for socially responsible investors to analytically measure sustainability. The entrance of Petrobras into the DJSI is recognition of the Company s efforts during the past years to improve environmental, transparent and corporate governance standards. The inclusion into the index expands our universe of potential investors to include those who use social and environmental responsibility as criteria and who according to the United Nations manage more than US$ 4 trillion of capital.

PETROBRAS SYSTEM Financial Performance

Net Income and Consolidated Economic Indicators

PETROBRAS reported consolidated net income of R$ 20.719 million for the period from January to September of 2006, representing a 33% increase over consolidated net income reported for the same period of 2005.

R$ Million							
	3rd Quarter				Jan-Sep		
2Q - 2006	2006	2005	Δ%		2006	2005	Δ%
49.633	**55.846**	**46.555**	20	**Gross Operating Revenue**	**152.247**	**128.999**	18
37.948	**43.363**	**35.711**	21	**Net Operating Revenue**	**117.198**	**97.967**	20
11.267	**10.303**	**10.565**	(2)	**Operating Profit** (1)	**33.580**	**28.834**	16
(141)	**(674)**	**(645)**	4	**Financial Result**	**(1.260)**	**(2.370)**	(47)
6.959	**7.085**	**5.632**	26	**Net Income for the Period**	**20.719**	**15.583**	33
1,59	**1,61**	**1,28**	26	**Net Income per Share**(2)	**4,72**	**3,55**	33
202.635	**190.144**	**168.035**	13	**Market Value (Parent Company)**	**190.144**	**168.035**	13
44	**38**	**42**	(4)	**Gross Margin (%)**	**42**	**44**	(2)
30	**24**	**30**	(6)	**Operating Margin (%)**	**29**	**29**	-
18	**16**	**16**	-	**Net Margin (%)**	**18**	**16**	2
13.614	**12.912**	**12.423**	4	**EBITDA R$ million**(3)	**40.639**	**34.598**	17
				Financial and Economic Indicators			
69,62	**69,49**	**61,53**	13	**Brent (US$/bbl)**	**66,96**	**53,54**	25
2,1840	**2,1710**	**2,3454**	(7)	**US Dollar Average Price - Sale (R$)**	**2,1831**	**2,4970**	(13)
2,1643	**2,1742**	**2,2222**	(2)	**US Dollar Last Price - Sale (R$)**	**2,1742**	**2,2222**	(2)

(1) Operating income before financial income equals shareholders equity and taxes.

(2) For comparison purposes, net income per share was recalculated for prior periods, due to the stock split approved by AGE on July 22, 2005.

(3) Operating income before financial income is equal to shareholders equity + depreciation/amortization.

R$ Million						
	3rd Quarter				Jan-Sep	
2Q-2006	2006	2005	Δ%		2006	2005
11.243	**9.684**	**9.662**	-	Operating Income as per Brazilian Corporate Law	**32.067**	**25.922**

141	**674**	**645**	4	(-) Financial Result	1.260	2.370
(117)	(55)	258	(121)	(-) Equity Income Result	253	542
11.267	**10.303**	**10.565**	(2)	**Operating Profit**	**33.580**	**28.834**
2.347	2.609	1.858	40	Depreciation & Amortization	7.059	5.764
13.614	**12.912**	**12.423**	4	**EBITDA**	**40.639**	**34.598**
36	**30**	**35**	(14)	**EBITDA Margin (%)**	**35**	**35**

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The gain in consolidated net income for the period from January to September 2006 is mainly due to increases in realized prices and volumes in both the domestic and international markets, as well as other factors, explained below:

Increase in gross profit by R$ 6.339 million:

Main Items		Net Revenues	Cost of Goods Sold	Gross Profit
. Domestic Market:	- Effect of Volumes Sold	2.254	(1.557)	697
	- Effect of Prices	7.755	-	7.755
. Intl. Market:	- Effect of Export Volumes	617	(266)	351
	- Effect of Export Price	1.872	-	1.872
. Increase in expenses: (*)		-	(3.788)	(3.788)
. Extraordinary items:	- adjustment to special participations (**)	-	(426)	(426)
	- natural gas inventory write-off (***)	-	(408)	(408)
. BR Distribuidora - Alcohol commercialization		884	(801)	83
. Increase (Decrease) in operations of commercialization abroad		2.033	(2.037)	(4)
. Increase (Decrease) in international sales		1.372	(1.359)	13
. FX effect on controlled companies abroad		(295)	(929)	(1.224)
. Others		2.739	(1.321)	1.418
		19.231	(12.892)	6.339

(**) New interpretation by the ANP disallowing deductibility of charges associated with *project finance* for the Marlim field.

(***) Expense adjustments with gas produced and re-injected in reserves in Solimões, Campos and Espírito Santo Basins.

(*) Expenses Composition:	Value
- Domestic Government Take	(1.824)
- Import of gas, crude oil and oil products	(1.775)
- Third-Party Services	(189)
	(3.788)

The increase in government take is the result of a 19% higher reference price for crude oil (R$ 119.56 for Jan. to Sept. 2006 and R$ 100.74 for Jan. to Sept. 2005), as well as higher royalties and Special Participation, as a result of higher production in the Barracuda and Caratinga fields following production stabilization in June, 2005.

Higher expenses for importing oil, gas and oil products reflects increased prices in the international market.

The increase in third party expenses is a result of a higher number of well interventions for operating maintenance, contractual adjustments, particular for drilling rigs, and the start of operations at P-50 and FPSO-Capixaba, in April and May of 2006, respectively.

These effects were partially offset by increases in the following expenses:

Selling expenses (R$ 473 million), mainly due to the increase in expenses related to oil exports (R$ 242 million) and international marketing (R$ 31 million) as well as an increase in reserves for bad debt expense (R$ 69 million);

General and administrative expenses (R$ 289 million), due to increased salaries and benefits for employees in Brazil (R$ 162 million) originating from an increase in workforce and salary adjustments accordance with the Collective Bargaining Agreement 2005/2006, higher salaries and benefits for international personnel (R$ 74 million), and higher third party services (R$ 46 million);

Tax expenses (R$ 287 million) increase due to higher activity level (R$ 77 million), PASEP/COFINS on revenues (R$ 117 million) relating to the regularization of prior periods and increased taxes in Colombia and Bolivia (R$ 32 million), on foreign remittance accounts and dividends;

Prospecting and exploration (R$ 249 million), due to exploratory expenses write-offs (R$ 209 million) and an increase in international seismic exploration (R$ 37 million);

Research and development technology costs (R$ 443 million), of which R$ 312 million was for the ANP settlement;

Positive impact of R$ 1.110 million on net financial income was due to:

Maturity of hedge contracts at PESA, that in the same period of 2005 had generated a loss of R$ 459 million;

When measured in Reais, better returns from financial investments (R$ 1.117 million), due to a lower appreciation of the Real (R$ 801 million) 7.11% for the January to September 2006 period and 16.28% for the January to September 2005 period and higher profitability from funds invested abroad (R$ 125 million);

Reduction of financial expenses (R$ 46 million), due better debt profile;

These effects were partially offset by the following factors:

Premiums paid to investors for bond buyback in July 2006 (R$ 321 million) and early liquidation of the fixed PFL Senior Trust Certificates in March 2006 (R$ 29 million);

Reduction in the positive monetary correction (R$ 505 million), due to the lower appreciation of the Real against the U.S. dollar during the January to September 2006 period (7.11%) compared to the same period of the prior year (16.28%);

Decrease in non-operating expenses (R$ 91 million), because of the reduction in platform idleness (R$ 128 million), partially offset by the reduction in international non-operating revenue (R$ 16 million);

Increased tax benefit for interest on own capital provisions in September 2006 (R$ 746 million).

PETROBRAS SYSTEM Operating Performance

Physical Indicators

	3rd Quarter				**Jan-Sep**		
2Q-2006	**2006**	**2005**	**Δ%**		**2006**	**2005**	**Δ%**
				Exploration & Production - Thousand bpd			
				Domestic Production			
1,757	1,779	1,725	3	Oil and LNG	1,763	1,667	6
282	276	271	2	Natural Gas (1)	276	274	1
2,039	**2,055**	**1,996**	3	**Total**	**2,039**	**1,941**	5
				Consolidated - International Production			
121	124	164	(24)	Oil and LNG	135	165	(18)
95	105	98	7	Natural Gas (1)	100	98	2
216	**229**	**262**	(13)	**Total**	**235**	**263**	(11)
18	**17**	**-**		**Non Consolidated - Internacional Production (2)**	**11**	**-**	
234	**246**	**262**	(6)	**Total International Production**	**246**	**263**	(6)