PETROBRAS ENERGIA PARTICIPACIONES SA
Form 6-K
September 06, 2005

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

September 02, 2005

PETROBRAS ENERGIA PARTICIPACIONES S.A.

(formerly PEREZ COMPANC S.A. and PC HOLDING S.A.)

(Exact Name of Registrant as Specified in its Charter)

Maipú 1, Piso 22

(1084) Buenos Aires, Argentina

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of 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

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82

N/A.

PETROBRAS ENERGIA PARTICIPACIONES S.A.

Financial Statements and Summary of Events

as of June 30, 2005

Independent Public Accountant´s Report

MACROECONOMIC OVERVIEW 2ND QUARTER 2005

International Scenario

The world economy showed a slight slowdown in the second quarter of 2005, without affecting the overall trend of a steady, moderate growth. In the USA, the temporary feebleness of certain indicators, such as consumers trust, employment, corporate expenditure and speed-up of inflation, melted gradually away to finally reach acceptable levels at the end of the quarter. The Federal Reserve, in turn, continued with its policy of gradually increasing the benchmark interest rate, started by mid 2004, until it reached 3.25%. During these three months, however, the long-term interest rate again showed a downward trend, only partially reversed in July. As to the external gap, trade deficit levels were huge, though somewhat lower than those of the first quarter. The dollar significantly appreciated *vis-à-vis* –the major international currencies, above all the Euro. In July, China s exchange rate regime was finally modified to initially increase the Yuan by 2%. Both Europe and Japan grew in this quarter at lower rates, while China s economic growth surprised again with a rate exceeding 9%.

Oil

Oil prices kept going up, setting up records that exceeded US$60 per barrel and reaching an average of US$53 per barrel in the quarter.

During this period, demand increased 1.1% year-over-year (to 81.9 MMbbl/d), far below the pace exceeding 2% that had been registered in previous quarters. The increase in prices was encouraged by rises of the forecasted demand of refined products by the OPEC, which served as a trigger for a speculative upward trend, all the more because it took place during the US driving season. Likewise, the real purchase volume kept at a strong level, mainly by the USA and China, where growth slowdown did not reach the expected levels.

On the other hand, supply showed a remarkable rise of 3.2% year-over-year (to 84.7 MMbbl/d; almost 60% of this increase was contributed by OPEC). Although periodic news on stocks in the USA were encouraging, reports from refineries, which indicated that the current production would be reaching top capacities, kept the increase in prices.

This added to news on specific interruptions in some US refineries and political changes in Iran.

Within this context, the increase in the quota by 500,000 bbl/d announced by the OPEC in June, was not enough to quiet the scenario described above, where the WTI broke through the US$60 barrier for the first time in history.

Argentina

The Argentine economy kept a high growth pace during the second quarter of the year. The GDP rose 10% year-over-year, although at more moderate annualized rates, around 7% compared to the first quarter.

Oil production dropped by 4% while processed oil went down by 3% (data from April-May two-month period). In the second quarter, the sale of fuels to the local market increased both for diesel oil (+4.1%) and gasoline (+5,7%), where the increase in premium gasoline (+28.3%) was noticeable. The Secretary of Energy increased the tax-exempted diesel oil import quota from 500,000 to 600,000 m3 so as to avoid a shortage in fuels during summer crop months. Prices at gas pumps did not change in spite of the increase in crude oil acquisition costs on the part of refineries, within a context of a big boost of the international price of oil.

The demand for natural gas surpassed 6% year-over-year (data from April-May two-month period), mainly driven by power plants and, to a lesser extent, by the industry. The use of vehicular CNG also rose, but at a remarkably lower rate compared to previous quarters. Although gas production went down by almost 4%, exports diminished again and at the same time imports from Bolivia rose compared to the same quarter of previous year. Bolivia s political and social crisis caused a standstill in negotiations on the construction of a new gas import pipeline.

Electric power demand went up by 4.8%. Generation at national level exceeded those values (+6.3%), while electric power imports went significantly down and exports increased. There were increases in thermal (+3%), hydraulic (+10%) and nuclear (+16%) generation.

Inflation sped up again by the end of the quarter, thus accumulating in the first six months of the year the same increase in prices of the whole year 2004 (+6.1%). The government is still trying to keep a tight rein on inflation through agreements on prices with the different sectors and a more restrictive monetary policy, with increases in interest rates and ongoing sterilization operations.

Exports hit record highs, with a significant increase in volumes; nevertheless, the trade surplus level could not be maintained because of a strong growth of imports. There still was an oversupply of dollars with a slight increase in the exchange rate as a result of considerable purchases of foreign currency by the Central Bank and the Treasury.

Finally, the government was able to complete debt exchange, effecting delivery of the new bonds, having postponed it for some months on account of judicial matters. The country risk level remains low, around 400 basic points. The Argentinean authorities are still negotiating a new agreement with the IMF that allows the country to refinance the huge maturities of its debt with multinational financial agencies. At fiscal level, the public sector still shows favorable numbers, accumulating as of June 80% of the primary result target budgeted for the whole year.

Latin America

After a 7.9% growth in the first quarter of the year, mainly driven by the non-oil sector (9.3%) and a meager performance of the oil sector (1%), the Venezuelan economy continued to show signs of robustness at aggregate level in the second quarter, supported by a higher public expenditure, and the textile, construction, mining and automotive sectors.

Production calculated within the OPEC quota dropped in this second quarter by 2.3% compared to the previous quarter; additionally, a qualitative change in the basket of crude oils manufactured towards heavier oils was forecasted, which did not allow it to capture the whole increase in prices.

The above oil sector scenario coupled with higher economy dynamism in the non-oil sector helped the government maintain a balanced budget in primary terms.

The trade surplus remained at a high level, mainly as a result of crude oil prices. This has been translated into a permanent increase in international reserves, which reached around 29 billion dollars by the end of June. However, the standstill in oil production and the high rate of elasticity of imports to GDP may generate a slight decline in surplus levels in the next quarters.

In Brazil, the smooth slowdown cycle of economy begun in the fourth quarter of 2004 continued during the second quarter of 2005. In this sense, the industry started to give some signs of stabilization in production, although good exports performance throughout the quarter showed a rise of 14% year-over-year, leading the trade surplus to exceed 11 billion dollars.

The strict monetary policy applied by the Central Bank remained unchanged during this second quarter, where SELIC rate rose twice, thus reaching 19.75%. As a result of the high real interest rate generated by the above, the exchange rate increased by 7% compared to the previous quarter, reaching 2.34 *reales* per dollar at the end of June. Inflation

measured in 12 consecutive months has stabilized after the upward trend observed until April. The average rate for the quarter exceeded 7%, with a downward trend.

As to tax matters, the government maintained the primary surplus in line with market expectations. This surplus contributes to the promotion in the short term of certain projects at Congress basically related to investments in key sectors in order to overcome current economy bottlenecks and to continue lowering the unemployment rate, which at the end of the quarter was below 10%.

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

Discussion and analysis of results of operations for the six-month period ended June 30, 2005 (2005 quarter) compared to the six-month period ended June 30, 2004 (2004 quarter).

Some amounts and percentages in this analysis are rounded and the totals in some tables may therefore not precisely equal the sums of the numbers presented.

In accordance with the procedure set forth in Technical Resolution 19 of the Argentine Federation of Professional Councils in Economic Sciences, or FACPCE, we have consolidated line by line on a proportional basis our financial statements with the financial statements of companies over which we exercise joint control. Joint control exists where all the shareholders, or shareholders representing a voting majority, have resolved, on the basis of written agreements, to share the power to define and establish a company s operating and financial policies.

In the consolidation of companies over which we exercise joint control, the amount of the investment in the subsidiary under joint control and the interest in its income (loss) and cash flows are replaced by our proportional interest in the subsidiary s assets, liabilities, income (loss) and cash flows. Receivables, payables and transactions within the consolidated group and companies under joint control have been eliminated in the consolidation pro rata to the shareholding of the controlling company.

Distrilec Inversora S.A. (Distrilec), Compañía de Inversiones de Energía S.A. (CIESA) and Citelec S.A. fall within the category of companies under joint control. We did not consolidate proportionally line by line our financial statements with the financial statements of Citelec because Petrobras Energía S.A. has committed to sell its interest in Citelec upon transfer of 58.62% of Petrobras Energía Participaciones S.A. s shares to Petróleo Brasileiro S.A. Petrobras (Petrobras).

Accordingly, our management analyzes our results and financial condition separately from the results and financial condition of these companies. The discussion below is presented on the basis of the consolidated financial data of Petrobras Energía Participaciones S.A. without proportional consolidation and therefore is not directly comparable to the corresponding financial data set forth in our financial statements. The results of CIESA and Distrilec, proportionally consolidated in the financial statements and the results of Citelec, are discussed under Analysis of Equity in Earnings of Affiliates .

ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

The table below shows the Company s results of operations for the six-month periods ended June 30, 2005 and 2004 under the professional accounting standards and, for comparative purposes, the pro forma results that exclude the effects of proportional consolidation of affiliates under joint control.

For comparative purposes, information for 2004 quarter includes the results of EG3 S.A., Petrobras Argentina S.A. and Petrolera Santa Fe SRL, as if the merger had been effected on January 1, 2004. Considering that the effective date of the merger is January 1, 2005, net income for the previous year shown on a comparative basis does not change as a result of the merger. For such reason, the balancing item of the net effect of added results is recorded under Minority Interest in subsidiaries , as indicated in Note 1.c to the consolidated financial statements.

(in millions of pesos)

Net income: Net income for the 2005 second quarter totaled P$264 million compared to a P$77 million loss in the same period of previous year. The 2005 second quarter results were favorably impacted by the following:

- High WTI prices and, to a lesser extent, the recovery of gas and electricity prices in Argentina as a result of the path of prices agreed upon with the Argentine Government.

- The reduction in losses attributable to the valuation at market value of derivative instruments that do not qualify for hedge accounting.

- The favorable effect of the exchange rate behavior on the borrowing position of the Company and its main affiliates.

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Recording of allowances in 2004 second quarter to adjust the book value of investments in CIESA/TGS and Citelec to their recoverable value.

Net sales: Net sales increased P$428 million or 20.4% to P$2,535 million from P$2,107 million in the same quarter of previous year. Net sales for 2005 quarter reflect P$116 million and P$156 million attributable to our share in CIESA`s and Distrilec s net sales, respectively, (net of intercompany sales of P$9 million). Net sales for 2004 quarter reflect P$114 million and P$132 million attributable to our share in CIESA s and Distrilec s net sales, respectively (net of intercompany sales of P$2 million).

Without proportional consolidation, net sales increased P$409 million or 22% to P$2,272 million from P$1.863 million in the same quarter of previous year. Sales for the Oil and Gas Exploration and Production, Petrochemicals, Refining and Electricity business segments increased P$211 million, P$96 million, P$79 million and P$12 million, respectively, driven by a significant increase in the price of WTI and the main petrochemical and refined byproducts. Reflecting the growing integration of operations, intercompany sales increased to P$484 million from P$467 million in the same period of previous year.

Gross profit: Gross profit increased P$177 million or 25.5% to P$871 million from P$694 million. The 2005 quarter gross profit reflects P$53 million and P$16 million attributable to our share in the gross profit of CIESA and Distrilec, respectively. The 2004 quarter gross profit reflects P$55 million and P$24 million attributable to our share in the gross profit of CIESA and Distrilec, respectively.

Without proportional consolidation, gross profit for 2005 quarter increased P$187 million or 30.4% to P$802 million from P$615 million. Reflecting the sales growth mainly attributable to higher prices, gross profit for the Oil and Gas Exploration and Production, Petrochemicals and Electricity business segments increased P$153 million, P$14 million and P$5 million, respectively. Conversely, the reduction in marketing margins of refined products resulted in a P$37 million decrease in the Refining business segment.

Administrative and selling expenses: Administrative and selling expenses for 2005 quarter rose P$26 million or 14% to P$212 million from P$186 million in 2004 quarter. The 2005 quarter reflects P$5 million and P$18 million attributable to our share in the administrative and selling expenses of CIESA and Distrilec, respectively. The 2004 quarter reflects P$2 million and P$17 million attributable to our share in the administrative and selling expenses of CIESA and Distrilec, respectively.

Without proportional consolidation, administrative and selling expenses increased P$22 million or 13.2% to P$189 million in 2005 quarter from P$167 million in 2004 quarter

Exploration expenses: Exploration expenses totaled P$17 million and P$20 million, respectively. See Analysis of Operating Income Oil and Gas Exploration and Production .

Other Operating Income (Expense), net: Other operating income (expense), net accounted for P$83 million and P$74 million losses in 2005 and 2004 quarters, respectively. Other operating income (expense), net for 2005 quarter reflects a P$4 million loss, attributable to our share in other operating income (expense), net of CIESA. The 2004 quarter does not reflect other operating income (expense), net attributable to our share in other operating income (expense), net of CIESA and Distrilec.

Without proportional consolidation, other operating income (expense), net accounted for P$79 million and P$74 million losses for 2005 and 2004 quarters.

Operating income: Operating income increased P$145 million or 35% to P$559 million from P$414 million. The 2005 quarter operating income reflects a P$44 million gain and a P$2 million loss attributable to our share in the operating income of CIESA and Distrilec, respectively. The 2004 quarter reflects P$53 million and P$7 million gains attributable to our share in the operating income of CIESA and Distrilec, respectively.

Without proportional consolidation, operating income moved up P$163 million or 46% to P$517 million in 2005 quarter from P$354 million in 2004 quarter. See Analysis of Operating Income .

Equity in Earnings of Affiliates: Equity in earnings of affiliates accounted for a P$69 million gain in 2005 quarter compared to a P$15 million loss in 2004 quarter. Without proportional consolidation, equity in earnings of affiliates accounted for a P$79 million gain in 2005 quarter compared to a P$99 million loss in 2004 quarter. See Analysis of Equity in Earnings of Affiliates .

Other income (expense), net: Other income (expense), net accounted for a P$4 million gain in 2005 quarter compared to a P$45 million loss in 2004 quarter.

Without proportional consolidation, other income (expense), net did not account for significant results in 2005 quarter compared to a P$3 million gain in 2004 quarter.

Financial income (expense) and holding gains (losses): Financial income (expense) and holding gains (losses) accounted for a P$121 million loss, reflecting a 71.2% or P$300 million decline compared to P$ 421 million in 2004

quarter. The 2005 quarter reflects P$16 million and P$7 million financial expenses attributable to our share in the financial expense of CIESA and Distrilec, respectively. The 2004 quarter reflects P$91 million and P$12 million financial expenses attributable to our share in the financial expense of CIESA and Distrilec, respectively.

Without proportional consolidation, financial income (expense) and holding gains (losses) fell approximately 69.2% to P$98 million in 2005 quarter from P$318 million in 2004 quarter, mainly due to:

- A reduction in losses attributable to the valuation at market value of derivative instruments which do not qualify for hedge accounting, which totaled P$5 million in 2005 quarter compared to P$187 million in 2004 quarter as a result of (i) a lower increase in the future curve of crude oil prices (3.74% in 2005 quarter compared to 11.6% in 2004 quarter), and (ii) lower hedged volumes.

- A 7.9% reduction in interest expense to P$93 million in 2005 quarter from P$101 million in 2004 quarter, as a result of a 1.2% decline in dollar-denominated average indebtedness.

- Exchange difference gains in the amount of P$7 million in 2005 quarter compared to a P$36 million loss in 2004 quarter, in line with the fluctuating behavior of the exchange rate, and the consequent effect on the Company s dollar-denominated net borrowing position (0.1% appreciation in 2005 quarter compared to a 3.8% depreciation in 2004 quarter).

Income tax: The income tax charge for 2005 quarter increased to P$153 million from P$34 million in 2004 quarter. The 2005 quarter reflects a P$3 million gain and a P$3 million loss attributable to our share in the income tax of CIESA and Distrilec, respectively. The 2004 quarter reflects P$4 million and P$4 million losses attributable to our share in the income tax of CIESA and Distrilec, respectively.

Without proportional consolidation, income tax accounted for a P$153 million loss in 2005 quarter compared to P$26 million in 2004 quarter. As of December 31, 2004, after taking into consideration profitability expectations in connection with Petrobras Energía s business plan, the Company partially reversed the allowance provided for tax loss carry forwards, recording a P$268 million gain. Consequently, the increase in 2005 quarter income tax charge is mainly attributable to the decrease in partially reversed tax loss carry forwards as a consequence of the tax gain for the period.

Analysis of Operating Income

Oil and Gas Exploration and Production

Operating income: Operating income for the Oil and Gas Exploration and Production busines segment increased P$134 million or 39.6% to P$472 million from P$338 million in 2004 period. This variation is mainly attributable to the 33.5% increase in average sales prices of oil equivalent attributable to (i) the 38.4% rise in WTI price and (ii) the recognition of the additional compensation in the Oritupano Leona agreement, in Venezuela

The table below shows the Company s operating income for this business segment:

Net sales: Net sales for 2005 quarter increased P$211 million or 23.6% to P$1,105 million from P$894 million in 2004 quarter. This improvement is mainly attributable to the 35.7% increase in the average sales price of oil equivalent, partially offset by a 9.2% reduction in sales volumes of oil equivalent.

In 2005 quarter, the average sales price per barrel of crude oil, including the effects of taxes on exports, increased 34.8% to P$93.8 from P$69.6 in 2004 quarter.

Combined oil and gas daily sales volumes in 2005 quarter decreased to 169.5 thousand barrels of oil equivalent from 186.7 thousand barrels of oil equivalent in 2004 quarter. Crude oil sales volumes decreased 7.3% to 118.7 thousand barrels per day from 128.1 thousand barrels per day, while gas daily sales volumes dropped 13.4% to 304.7 million cubic feet and 351.8 million cubic feet, respectively.

Argentina

In Argentina, sales rose 5.0% or P$26 million to P$547 million in 2005 quarter from P$521 million in 2004 quarter, boosted by a 17.4% increase in average sales prices limited by a 10.6% reduction in combined oil and gas daily sales volumes to 95.6 thousand barrels of oil equivalent in 2005 quarter from 106.9 thousand barrels of oil equivalent in 2004 quarter.

Crude oil sales increased P$24 million or 5.1% to P$490 million in 2005 quarter from P$466 million in 2004 quarter. This increase was attributable to the 15.6% rise in the average sales price to P$96.4 per barrel from P$83.4 per barrel. In Argentina, the benefits derived from a favorable price context were severely limited due to the strong increase in crude oil exports taxes recorded during 2004. Such taxes moved from a single nominal 20% rate in 2004 first quarter to 25% as from mid 2004 second quarter, with a rate set at 45% within the framework of an incremental tax scheme implemented in August 2004. This scheme was a conditioning reference for the fixing of domestic sales prices to the refining segment in line with the Argentine Government s intention to establish a price stability framework.

Crude oil daily sales volumes declined 9% to 55.9 thousand barrels in 2005 quarter from 61.4 thousand barrels in 2004 quarter, mainly due to the fact that Argentine assets are mature fields under production through secondary recovery with a considerable natural decline. The investments made, basically in projects aimed at improving the fields production basic curve, allowed to mitigate the negative trend of the production curve.

Total gas sales increased 3.6% to P$57 million in 2005 quarter from P$55 million in 2004 quarter, mainly due to a 19.7% increase in prices, partially offset by a 12.6% reduction in sales volumes. Gas average sales prices increased to P$2.63 per million cubic feet in 2005 quarter from P$2.20 per million cubic feet in 2004 quarter mainly due to the renegotiation of export contracts and the implementation of a price recovery path for Distribution Companies (in proportion to industrial consumption) and for Power Plants, as provided for by the Secretary of Energy. Conversely, due to the restrictions imposed by the Argentine Government within the context of the energy emergency, gas export volumes fell and were sold in the domestic market at lower prices. Gas daily sales volumes dropped to 238.6 million cubic feet in 2005 quarter mainly due to the considerable decline in the fields production curve mentioned before.

Outside of Argentina

Combined oil and gas sales outside of Argentina increased P$180 million or 48.4% to P$552 million in 2005 quarter from P$372 million in 2004 quarter. Total oil and gas sales volumes fell 7.4% to 73.9 thousand barrels of oil equivalent per day in 2005 quarter from 79.8 thousand barrels. The average sales price per barrel of oil equivalent increased 60.4% to P$82.1 in 2005 quarter from P$51.2 in 2004 quarter, mainly due to the increase in the international reference price and the recognition of an additional compensation in Venezuela.

Venezuela

In Venezuela, oil and gas sales in 2005 quarter grew P$101 million or 54.9% to P$285 million in 2005 quarter from P$184 million in 2004 quarter. In 2005 quarter, the average price per barrel of oil totaled P$73.4, 75.2% higher compared to P$41.9 in 2004 quarter. This variation is mainly attributable to the WTI behavior mentioned above and to the recognition of an additional compensation provided for under the second round contracts, which include, among others, the Oritupano Leona area. Along these lines, the operating agreement of the oilfield provides that once an accumulated production volume of 155 million barrels has been reached, an additional compensation will be recognized based on a rate per barrel adjusted on the basis of changes in prices of a crude basket. During 2005 first quarter, the Consortium reached the accumulated production required under the Agreement and consequently started to recognize such incentive on production, accounting for an additional income of P$90 million.

Daily sales volumes of oil equivalent decreased 12.2% to 45.6 thousand barrels of oil equivalent in 2005 quarter from 52 thousand barrels of oil equivalent in 2004 quarter, mainly as a consequence of the results obtained from the drilling and workover campaigns in connection with third round contracts during 2004 and the investment cut provided by PDVSA.

Ecuador

In Ecuador, oil sales for 2005 quarter increased 39.6% to P$74 million from P$53 million in 2004 quarter mainly boosted by a 35.5% increase in sales prices to P$120.9 per barrel from P$89.2 per barrel, mainly due to the 36.1% increase in the price of Oriente crude oil, the applicable international reference. Though production volumes for 2005 quarter recorded a 47.6% growth in line with the gradual development of Block 18, operating problems at Petroecuador facilities delayed crude oil shipments limiting a potential growth in deliveries, which reflected a 2.6% slight increase to 6.7 thousand barrels per day in 2005 quarter, with the consequent increase in stocks.

Peru

In Peru, oil and gas sales increased P$57 million or 53.7% to P$163 million in 2005 quarter from P$106 million in 2004.

The crude oil price rose 38.1% to P$138.5 per barrel from P$100.3 per barrel. The international reference (a combination of Oriente crude oil and the WTI), recorded a positive variation of 38.4%. The price of gas decreased 6.0% to P$5.19 per million cubic feet from P$5.51 per million cubic feet, as a consequence of the increase in gas supply, boosted by the entry to the local market of gas from the Camisea formation which is the most important gas reserve in Peru and one of the most important gas reserves in Latin America.

Daily sales volumes of oil equivalent increased 13.4% to 14.2 thousand barrels per day in 2005 quarter from 12.6 thousand barrels per day in 2004 quarter, mainly as a consequence of the good results obtained from drilling campaigns during 2005 and of increased drilling and workover activities performed in 2004.

Bolivia

In Bolivia, oil and gas sales in 2005 quarter increased P$2 million or 7.1% to P$30 million from P$28 million in 2004 quarter, boosted by a 39.6% increase in the gas price. Combined oil and gas daily sales volumes decreased 16.7% to 7.3 thousand Boe as a consequence of a drop in the domestic market.

The average sales price of gas recorded a 39.5% increase to P$6.7 per million cubic feet from P$4.8 per million cubic feet in the prior-year quarter as a consequence of the increase in fuel oil international prices as per Platt s Oilgram, used as reference for the calculation of the price of export to Brazil.

Gross profit: Gross profit for 2005 quarter rose P$153 million or 32.9% to P$618 million from P$465 million. The margin on sales increased to 55.9% in 2005 quarter from 52% in 2004 quarter. This rise in margins is mainly attributable to a 35.7% increase in average sales prices of oil equivalent. The lifting cost rose to P$9.7 per barrel of oil

equivalent from P$7.9 per barrel of oil equivalent, mainly due to the rise in oil service rates and, to a lesser extent, increases in electric power costs and incremental costs associated with the implementation of new safety and environmental standards. Increased costs are mainly recorded in Argentina. The drop in production volumes also had an impact, though to a lesser extent.

Administrative and selling expenses: Administrative and selling expenses in 2005 quarter increased 32.6% or P$14 million to P$57 million in 2005 quarter from P$43 million in 2004 quarter.

Exploration expenses: Exploration expenses totaled P$17 million in 2005 quarter and P$20 million in 2004 quarter. Expenses for 2005 quarter are mainly attributable to 3D seismic works in exploratory areas in Argentina. In 2004 quarter, in accordance with the SFAS 19 guidelines, exploration investments in Puesto Zuñiga areas and expenses related to unsuccessful wells in the Aguaragüe area were charged to income.

Other operating income: Other operating income (expense) accounted for P$72 million and P$64 million losses in 2005 and 2004 quarters, respectively. Losses for both quarters are mainly attributable to costs associated with the Ship or Pay contract.

Hydrocarbon Marketing and Transportation

Operating income: In 2005 and 2004 quarters, operating income for the Hydrocarbon Marketing and Transportation business segment was P$58 million and P$63 million, respectively. Operating results reflect P$44 million and P$53 million gains in 2005 and 2004 quarters, respectively, attributable to the proportional consolidation of CIESA. Excluding such effects, operating income totaled P$14 million and P$10 million in 2005 and 2004 quarters, respectively.

The table below shows the Company s operating income for this business segment, excluding the effects of the proportional consolidation of CIESA:

(in millions of pesos)

Net sales: Sales revenues increased to P$153 million or 26.4% from P$121 million mainly due to increases in the price of both gas and liquids. Gas prices increase was attributable to the application of the price recovery path fixed by the Secretary of Energy as from May 2004 as well as to the rise in international reference prices applicable to certain export contracts and contracts with industrial clients. As regards liquids, the improvement in prices derived from an increase in the price of their international references.

Sales revenues from gas and liquids produced by the Company and imported gas and liquids totaled P$77 million and P$57 million in 2005 quarter and P$40 million and P$72 million in 2004 quarter, respectively. Sales volumes in Argentina for gas produced by the Company and imported gas dropped to 267.2 million cubic feet per day in 2005 from 271.2 million cubic feet per day in 2004 as a consequence of the decline in the Company s own gas production due to the natural decline of fields located in Argentina, partially offset by gas volumes imported from Bolivia as from June 2004. Liquids sales volumes dropped to 61.1 thousand tons in 2005 from 83.3 thousand tons in 2004 as a consequence of reduced gas volumes processed and lower yields obtained from processing gas with lower richness and heavier crude oils.

Gas and LPG brokerage services accounted for sales revenues in the amount of P$19 million and P$9 million in 2005 and 2004 second quarters, respectively. This improvement in 2005 was attributable to increased gas brokerage operations performed with the purpose of offsetting the decline in the Company s own production mentioned above. Within this context, sales volumes increased to 23 million cubic feet per day in 2005 from 6 million cubic feet per day in 2004.

Gross profit: Gross profit for the quarter under review increased 14.3% to P$8 million from P$7 million in 2004 quarter.

Other operating income (expense), net: Other operating income (expense), net reflected P$6 million and P$4 million gains in 2005 and 2004 quarters, respectively, mainly derived from advisory services provided to TGS s technical operator. As from July 2004, such function was assigned to the Company.

Refining

The table below shows the Company s operating income for this business segment:

(in millions of pesos)

Operating income: In 2005 quarter operating income for the Refining business segment declined P$37 million, reflecting a P$31 million loss compared to a P$6 million gain in 2004 quarter. During 2005 quarter, the resale of imported diesel oil had a negative impact on the segment s profitability. In such respect, the Company prioritized the supply to the domestic market, even within a context that limited the possibility of passing through the increase in international prices to final prices. In addition, the rise in the price of WTI had a negative effect which was only mitigated by the implementation of the crude oil export tax regime. These effects were partially offset by the significant increase in export prices and in the prices of domestic market products not subject to the Price Stability

Agreement.

Gross profit: Gross profit for 2005 quarter significantly declined to P$28 million from P$65 million in 2004 quarter. Gross margin declined to 3% in 2005 quarter from 7.7% in 2004 quarter, mainly due to the adverse impact attributable to the resale of diesel oil and the 14.4% increase in the cost of crude oil to P$107.4 per barrel in 2005 quarter from P$93.9 per barrel in 2004 quarter. Within this context, priority was given to domestic supply seeking to mitigate the negative margins with an efficient commercial management on products and distribution channels with higher contribution (not subject to the Price Stability Agreement), in addition to export opportunities.

Net sales: Net sales for refinery products increased P$79 million or 9% to P$924 million in 2005 quarter from P$845 million, boosted by higher sales prices of products. Total sales volumes remained at similar levels in both quarters, with a change in the market mix. Domestic sales increased 10% compared to 2004 quarter while export sales fell 32%.

In line with the significant rise in the price of WTI, sales average prices of heavy distillates, benzene, asphalts, paraffins, diesel oil, reformer plant byproducts, aromatics and gasoline increased 37%, 36%, 27%, 21%, 15%, 9%, 8% and 5%, respectively.

In 2005 quarter crude oil volumes processed at the refineries declined 1% to 58.8 thousand barrels per day as a result of the shutdown for scheduled maintenance works at the Bahía Blanca refinery that covered almost all the last month of 2005 quarter.

Total diesel oil sales volumes moved down 5.5% to 464 thousand cubic meters in 2005 quarter, mainly due to the decline in export volumes on account of the operating merger of the Company and EG3 operations. In 2004 quarter, in a prior stage to full integration and complementation of operations, surplus production from the San Lorenzo refinery was sold in the export market while EG3 s network shortfall, in connection with its own production from the Bahía Blanca Refinery, was made up by purchases from third parties. Domestic sales for 2005 quarter grew 4.3% compared to 2004 quarter and this resulted in an increase in the market share to 14.9% in 2005 quarter from 14.6% in 2004 quarter.

Total gasoline sales volumes dropped 4.3% to 156 thousand cubic meters mainly due to an 18.7% decline in exports. Domestic sales exhibited a 3% increase in 2005 quarter, mainly attributable to the 5.7% increase in the gasoline market. Within this context, the Company s market share fell to 14.8% from 15.2%. Yet, in the premium gasoline market, the Company s market share grew from 6.7% in 2004 quarter to 10% in 2005 quarter, mainly due to the launching of Podium gasoline.

Asphalt sales volumes grew 34.7% in 2005 quarter, mainly boosted by a program of infrastructure works performed by the Government, particularly in the southern region of the country. Within this context, domestic market sales

increased 45.2% in 2005 quarter while exports declined 6.9%.

As regards heavy distillates, sales volumes declined 13%, mainly VGO volumes, as a result of reduced exports in the period under review.

As regards the remaining products, sales of reformer plant byproducts rose 18.9%, basically as a consequence of increased sales of aromatics (74.8%), paraffins (21.2%) - mainly as a result of exports of varieties of paraffins - and increased LPG sales (18%).

Administrative and selling expenses: Administrative and selling expenses grew P$2 million to P$60 million from P$58 million in the prior-year quarter, mainly as a result of an increase in labor costs.

Other operating income (expense), net: Other operating income (expense), net accounted for a P$1 million gain in 2005 quarter and a P$1 million loss in 2004 quarter.

Petrochemicals

In 2005 quarter, styrenics business operations exhibited a significant increase in international marketing spreads. This also applied to styrene and polystyrene, which recorded 93% and 33% increases, respectively, mainly due to the combined effect of: (i) a drop in the price of benzene as a result of increased supply during 2005 quarter derived from the construction of new plants which increased production capacity, and (ii) improved sales prices in line with the rise in oil prices.

Regarding the fertilizers business, urea international prices rose 68.5%, from an average of U$S143 per ton in 2004 quarter to U$S241 per ton in 2005 quarter, mainly as a result of an increased demand.

The table below shows the Company s operating income for this business segment:

(in millions of pesos)

Operating income: Operating income for 2005 quarter rose P$16 million or 34.8% to P$62 million from P$ 46 million in 2004 quarter due to increased sales prices.

Net sales: net sales rose P$96 million or 24.2% to P$493 million in 2005 quarter from P$397 million in 2004 quarter (net of eliminations in the amount of P$37 million and P$1 million) mainly boosted by increased sales prices.

- Styrenics - Argentina:

In Argentina, styrenics sales increased to P$211 million or 46.5% in 2005 quarter from P$144 million in 2004 quarter, due to the combined effect of higher sales prices, in line with the performance of international reference prices and ethylbenzene sales to Innova. To such respect, the start-up of the ethylene plant in October 2004 allowed to increase the supply of ethylbenzene which is primarily exported to Innova. This new operation represents a new step in the Company s strategy to strengthen integration of operations, thus allowing for full use of production installed capacity at the Puerto General San Martín Complex and for an increase in the supply of products in the plastics market.

Sales volumes increased 11% to 53 thousand tons in 2005 quarter. This increase is mainly attributable to new ethylbenzene exports to Innova, which totaled 10.5 thousand tons. In 2005 quarter, the styrene and ethylene facilities at the General San Martín Plant recorded a lower availability factor as a result of the technical shutdowns in April and May 2005, respectively.

Average sales prices of styrenics in 2005 quarter were 32% higher compared to 2004 quarter, with increases of 43%, 32% and 39% for styrene, polystyrene and rubber, respectively, as a result of the rise in international reference prices.

Styrenics performed as follows:

a) Styrenics sales volumes dropped 16% in 2005 quarter compared to 2004 quarter, with a 42% decline in exports as a result of lower availability derived from the styrene plant shutdown during 2005 quarter. Domestic sales decreased 5% due to the substitution of byproducts by competing companies (EPS and emulsions).

b) Polystyrene and Bops sales volumes were 12% lower compared to 2004 quarter, with a 2% drop in domestic sales and a 22% decline in exports, mainly to Chile and Europe.

c) Considering production from the ethylene plant, ethylbenzene sales volumes totaled 10.5 thousand tons, while no sales of this product were recorded in 2004 quarter.

d) Synthetic rubber sales volumes declined 11% in 2005 quarter, mainly due to rebuilding of inventory levels on account of the plant shutdown scheduled for the third quarter of 2005. This directly affected export markets, with a 25% drop in volumes dispatched. Sales volumes in the domestic market increased 8% compared to 2004 quarter.

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Styrenics Brazil - Innova:

Innova sales increased 33.3% to P$208 million in 2005 quarter from P$156 million mainly due to the increase in sales prices, in line with international reference prices.

Styrene and polystyrene prices increased 44% and 47%, respectively, compared to 2004 quarter.

In 2005 quarter, total styrene and polystyrene volumes fell 9% and 22% to 23.5 thousand tons and 20 thousand tons, respectively, as a result of a lower demand from the Brazilian market derived from consumption of customers stocks in 2005 quarter. In spite of the decline in sales, the Company maintains a leading position in the Brazilian market.

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Fertilizers:

Fertilizers sales rose 13.3% to P$111 million in 2005 quarter from P$98 million, due to the 17.5% increase in sales prices, partially offset by a 2.8% decline in sales volumes as a result of a lower demand derived from the effect of weather conditions on the agricultural sector. The Company s stocks policy allowed to offset the effects of the plant s lower operating availability factor, as a result of the technical shutdown scheduled for maintenance works during almost the whole month of May 2005.

Gross profit: Gross profit rose P$14 million or 19.4% to P$86 million in 2005 quarter from P$72 million in 2004 quarter. Gross margin on sales slightly decreased to 17.4% from 18.1%, reflecting the effect of lower styrenics margins in Brazil and reduced fertilizers margins.

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Styrenics - Argentina:

Gross profit rose 69% to P$49 million in 2005 quarter from P$29 million in 2004 quarter, mainly as a result of increased prices and sales volumes. Gross margin on sales increased to 23.2% from 20.1% as a result of improved sales prices.

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Styrenics - Brazil:

Gross profit dropped 19% to P$17 million in 2005 quarter from P$21 million in 2004 quarter. Gross margin on sales moved down to 8.2% in 2005 quarter from 13.5% in 2004 quarter, as a result of the market limitations to pass through to prices the higher cost of raw materials and the effect of freight costs.

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Fertilizers:

Gross profit dropped 9.1% to P$20 million in 2005 quarter from P$22 million in 2004 quarter, mainly due to increased costs of gas and ammonium nitrate that could not be fully passed through to sales prices, and the effect of the plant shutdown in May 2005.

Administrative and selling expenses: Administrative and selling expenses totaled P$32 million and P$28 million in 2005 and 2004 quarters, respectively. This increase is mainly attributable to: (1) increased labor costs in Innova and (2) the rise in selling expenses in Argentina due to higher freight costs in line with ethylbenzene exports to Innova.

Electricity

Operating income: In 2005 quarter, operating income for the Electricity segment declined P$10 million to P$33 million from P$43 million. Operating results reflect a P$2 million loss and a P$7 million gain in 2005 and 2004 quarters, respectively, attributable to the proportional consolidation of Distrilec. Excluding such effects, operating income slightly declined P$1 million to P$35 million in 2005 quarter from P$36 million in 2004 quarter. In 2005 quarter, generation margins increased as a result of improved prices and higher sales volumes. This allowed to offset higher costs attributable to fuel gas and energy purchases and lower income from technical assistance services.

The table below shows the Company s operating income for this business segment, excluding the effects of the proportional consolidation of Distrilec:

(in millions of pesos)

Electricity generation

Net sales: Net sales of electricity generation increased P$13 million or 19.7% to P$79 million in 2005 quarter from P$66 million in 2004 quarter as a consequence of the combined effect of an 18.2% improvement in generation prices and a 1.5% increase in energy sales as a result of the 4.8% rise in the demand for energy in Argentina.

The increase in energy sales prices mainly derived from a higher demand for electric power within a framework of reduced water flows contributed by the different basins and restricted gas supply. Such facts resulted in energy deliveries by less efficient thermal machines. In addition, in the case of Genelba Power Plant, the increase mentioned above is also attributable to the passing through to sales prices of the increase in gas costs as a result of the path of prices implemented since 2004 fourth quarter.

In 2005 quarter, net sales attributable to Genelba Power Plant increased 22.6% to P$65 million from P$53 million due to the combined effect of improved prices and increased sales volumes. The average sales price of energy increased 16.9% to P$51.8 per MWh in 2005 quarter from P$44.3 per Mwh in 2004 quarter due to the market reasons mentioned above. Energy sales increased 5.4% to 1,258 GWh from 1,193 GWh due to the higher demand recorded in 2005 quarter. Therefore, the plant factor as well as the power plant s availability factor rose to 80.4% in 2005 quarter from 77.8% in 2004 quarter and to 82.1% in 2005 quarter from 78.5% in 2004 quarter, respectively.

Net sales attributable to Pichi Picún Leufú Hydroelectric Complex increased 8.3% to P$13 million in 2005 quarter from P$12 million in 2004 quarter. The average sales price increased 29.7% to P$53.7 per MWh in 2005 quarter from P$41.4 per MWh in 2004 quarter. During 2005 quarter, energy delivered decreased 14.9% to 246 GWh from 289 GWh, due to lower water levels in the Comahue Basin.

Gross profit: Gross profit for the generation business increased P$6 million to P$37 million in 2005 quarter from P$31 million in 2004 quarter, mainly driven by improved prices in the wholesale electricity market in 2005 quarter. This allowed to absorb higher costs attributable to fuel gas and energy purchases. The Company s condition as an integrated energy company and the complementation of thermal and hydroelectric generation allowed to take advantage of higher margin opportunities in the market.

Administrative and selling expenses: Administrative and selling expenses for the generation business totaled P$3 million and P$1 million in 2005 and 2004 quarters, respectively.

Other operating income (expense), net: Other operating income (expense), net is mainly attributable to income from advisory services provided to Chilectra S.A. as Edesur S.A. s technical operator. In November 2004, Chilectra S.A. and Edesur S.A. renegotiated the terms and conditions of the technical assistance agreement with a substantial reduction in the economic terms of the agreement. Within this context, during the period under review no significant results were recorded in such respect compared to a P$4 million income in 2004 quarter.

Analysis of Equity in Earnings of Affiliates

The table below presents equity in earnings of affiliates of Petrobras Energía Participaciones S.A., its subsidiaries and companies under joint control for 2005 and 2004 quarters. In addition, the table presents equity in earnings of affiliates excluding the effects of proportional consolidation.

TGS/CIESA: In 2005 quarter, equity in earnings of CIESA/TGS accounted for a P$20 million gain compared to a P$85 million loss in 2004 quarter. The 2004 quarter equity in earnings reflects a charge corresponding to the recording of allowances to value these investments at fair market value in the amount of P$45 million and P$5 million, respectively. Excluding these charges, equity in earnings for 2004 quarter accounted for a P$35 million loss.

This variation in equity in earnings is mainly attributable to the impact of the different behavior of the exchange rate in both quarters on the dollar-denominated net borrowing position. In this respect, in 2005 quarter, CIESA s financial income (expense) accounted for a P$32 million loss, significantly lower than P$182 million in 2004 quarter.

CIESA s total sales revenues in 2005 quarter slightly declined compared to 2004 quarter. Sales revenues for the gas transportation segment increased P$5 million in 2005 quarter, mainly as a result of increased provision of gas transportation services in the amount of P$3 million. Income from the NGL production and marketing segment

declined P$4 million in 2005 quarter, accounting for a 16% drop in sales volumes, partially offset by an increase in international reference prices. The drop in sales volumes was attributable to a lower gas supply.

*Distrilec (Edesur)***:** Equity in earnings of Distrilec accounted for P$5 million and P$8 million losses in 2005 and 2004 quarters, respectively.

Distrilec s operating income accounted for a P$4 million loss in 2005 quarter compared to a P$14 million gain in 2004 quarter. This drop is mainly attributable to the impact of the penalties imposed by the regulatory authorities and higher labor costs. Financial income (expense) and holding gains (losses) accounted for P$14 million and P$24 million losses in 2005 and 2004 quarters, respectively. This drop is attributable to the effect of the different behavior of the exchange rate in both quarters on the Company s dollar-denominated financial indebtedness.

Citelec/Transener: In 2005 quarter, equity in earnings of Citelec accounted for a P$19 million gain compared to a P$38 million loss in 2004 quarter. Both quarters reflect charges in connection with the recording of an allowance to adjust the book value to the market value, in the amount of P$140 million and P$19 million, respectively.

On June 30, 2005, Transener completed restructuring of its financial indebtedness. According to the exchange offer terms and the tenders submitted, Transener recognized a P$609 million gain. The impact of this gain, however, was significantly absorbed by the recording of the allowance mentioned above.

Citelec s sales revenues for 2005 quarter grew 12.2% or P$9 million to P$83 million, 12.2% higher compared to P$74 million in 2004 quarter, mainly due to the P$9 million increase in revenues from unregulated services.

Operating income increased P$2 million to P$9 million in 2005 quarter from P$7 million in 2004 quarter derived from higher revenues from unregulated services.

Refinor S.A. (Refinor): Equity in earnings of Refinor increased to P$10 million in 2005 quarter from P$8 million in 2004 quarter, mainly due to the increase in fuel marketing margins resulting from export operations and, to a lesser extent, the revaluation of inventories due to the WTI rise.

Petroquímica Cuyo S.A.(Cuyo): Equity in earnings of Cuyo accounted for a P$1 million loss in 2005 and a P$2 million gain in 2004 quarter. This drop derives from a decline in margins as a result of the increase in the price of petrochemical supplies in line with the WTI behavior.

Empresa Boliviana de Refinación (EBR): Equity in earnings of EBR accounted for P$25 million and P$12 million gains in 2005 and 2004 quarters, respectively. The improvement in results for 2005 quarter is attributable to the reversal of allowances for bad debts, especially receivables from the Bolivian government, and the positive effects of the regulatory changes in 2005 second quarter.

SUMMARIZED BALANCE SHEET AND INCOME STATEMENT STRUCTURE

The information below for the six-month periods ended June 30, 2002 and 2001 does not have retroactive effect under the new professional accounting standards. The information below for the six-month periods ended June 30, 2004, 2003, 2002 and 2001 does not reflect the effects of the merger of Petrobras Argentina S.A., Petrolera Santa Fe S.R.L. and EG3 S.A. into Petrobras Energía S.A..

LISTED PRICE OF THE COMPANY S SHARE

STATISTICAL DATA

The information below for the six-month periods ended June 30, 2004, 2003, 2002 and 2001 does not reflect the effects of the merger of Petrobras Argentina S.A., Petrolera Santa Fe S.R.L. and EG3 S.A. into Petrobras Energía S.A..

JOSE SERGIO GRABRIELLI de AZEVEDO

PRESIDENTE

INDEPENDENT ACCOUNTANT´S REVIEW REPORT

To the Board of Directors of

Petrobras Energía Participaciones S.A.:

1.

We have reviewed the accompanying consolidated balance sheet of Petrobras Energía Participaciones S.A. (an Argentine Corporation) and its subsidiaries as of June 30, 2005, and the related consolidated statements of income, changes in shareholders´ equity and cash flows for the six-month period then ended. These financial statements are the responsibility of the Company s management.

2.

We conducted our review in accordance with the standards of Technical Resolution No. 7 of the Argentine Federation of Professional Councils in Economic Science applicable to the limited review of interim-period financial statements. Under such standards, a limited review mainly consists in applying analytical procedures to accounting information and in making inquiries of the persons responsible for accounting and financial matters. The scope of a limited review is substantially less than that of a financial statements audit, the purpose of which is to express an opinion on the financial statements taken as a whole. Accordingly, we do not express such opinion. We believe that our review and the reports of other auditors mentioned in paragraph 5, provide us with a reasonable basis for our negative assurance in paragraph 8 below.

3.

The accompanying financial statements have been translated into the English language from those issued in Spanish in accordance with the National Securities Commission (CNV) regulations. They have also been reformatted in a manner different from that presented in Spanish, but in all other respects follow accounting principles and reporting practices that conform with CNV regulations.

4.

As further explained in Note 2 to the consolidated financial statements, certain accounting practices applied by the Company conform with the accounting standards set forth by the CNV, but do not conform with U.S. generally accepted accounting principles. The effects of these differences have not been quantified by the Company.

5.

The financial statements of some related companies, used to value the interest in such companies by the equity method or incorporated by the proportional consolidation method as of June 30, 2005, were reviewed by other auditors, whose reports have been furnished to us. Our negative assurance set forth in paragraph 8, insofar as it relates to the amounts included for such companies, before considering the adjustments mentioned in note 9 to the consolidated financial statements, is based on the reports of the other auditors. These companies are:

a)

Distrilec Inversora S.A. and Compañía de Inversiones de Energía S.A.: the assets and net sales of such companies, incorporated by the proportional consolidation method, represent about 8% and 6% in the case of Distrilec Inversora S.A., and 14% and 5% in the case of Compañía de Inversiones de Energía S.A., of the respective consolidated totals as of June 30, 2005 and for the six-month period then ended.

b)

Compañía Inversora en Transmisión Eléctrica Citelec S.A. and Transportadora de Gas del Sur S.A.: the interests in these companies represent non-current investments for about Argentine pesos 455,000,000 as of June 30, 2005 and gains for Argentine pesos 176,000,000 included in Equity in earnings of affiliates for the six-month period then ended.

6. The reports of the other auditors mentioned in paragraph 5 related to the financial statements of Compañía de Inversiones de Energía S.A. as of June 30, 2005 include, among others, qualifications for unresolved uncertainties as to such company s ability to continue as going concern. As described in note 9 to the consolidated financial statements, such related company and its subsidiary Transportadora de Gas del Sur S.A. have been negatively impacted by the Argentine Government s adoption of various economic measures, including the de-dollarization of revenue rates, the renegotiation of the License (still in progress) and the devaluation of the Argentine peso. In addition, such related company have suspended the payment of its financial debt. These circumstances raise substantial doubt about the ability of Compañía de Inversiones de Energía S.A. to continue as going concern. In the case of Transportadora de Gas del Sur S.A., the report of the other auditors as of June 30, 2005 includes, among others, qualifications for unresolved uncertainties referred to the future development of the company s regulated businesses and the recoverable value of its non-current assets corresponding to the regulated business. The company managements plans in regard of these matters are also described in note 9 to the consolidated financial statements. The accompanying financial statements do not include any adjustment that might result from the outcome of these uncertainties

7. As described in note 3 to the consolidated financial statements, the Company prepares its financial statements in accordance with the CNV regulations, which differ from generally accepted accounting principles in Buenos Aires City, Argentina, as follows:

a)

The Company has not recognized the effects of the variations in the purchasing power of the Argentine peso from March 1 to September 30, 2003, affecting the financial position as of June 30, 2005 and the result of the operations for the six-month period then ended.

b)

The Company has not discounted the nominal values of the deferred tax assets and liabilities, affecting the financial position as of June 30, 2005 and the result of the operations for the six-month period then ended.

The effects of the matters mentioned above have not been quantified by the Company

8. Based on our review and on the other auditors´ reports mentioned in paragraph 5, we are not aware

of any material modification that should be made to the financial statements mentioned in paragraph 1 for them to be in conformity with the Argentine Business Association Law and the pertinent regulations of the CNV applicable to consolidated financial statements and, except for the matters mentioned in paragraph 7, with generally accepted accounting principles applicable to consolidated financial statements in Buenos Aires City, Argentina. This statement must be read considering the uncertainties described in paragraph 6, the outcome of which cannot be determined as of the date of this report.

9. Regarding the consolidated balance sheet of Petrobras Energía Participaciones S.A. and its subsidiaries as of December 31, 2004 and the consolidated statements of income, changes in shareholders´ equity and cash flows for the six-month period ended June 30, 2004, presented for comparative purposes, we further report that:

a)

On February 18, 2005, we issued an audit report on the consolidated financial statements of Petrobras Energía Participaciones S.A. and its subsidiaries as of December 31, 2004, based on our audit and on the other auditors report for the related companies mentioned in paragraph 5. Such report included qualifications for unresolved uncertainties mentioned by the other auditors referred to: i) the ability to continue as going concern of the related companies Compañia Inversora en Transmisión Eléctrica Citelec S.A. and Compañía de Inversiones de Energía S.A. and, ii) the future development of the regulated businesses of Transportadora de Gas del Sur S.A. and the recoverable value of its non-current assets corresponding to the regulated business.The report of the other auditors of Compañía Inversora en

Transmisión Eléctrica Citelec S.A. with respect to the financial statements as of December 31, 2004 states that their previous report included a qualification for an uncertainty related to the capacity of its subsidiary Compañía de Transporte de Energía Eléctrica en Alta Tensión Transener S.A. (Transener S.A.) to continue operating as a going concern and that, on June 30, 2005, Transener S.A. concluded its financial debt restructuring and, in addition, that the negotiation of the concession contracts of Transener S.A. and Transba S.A. (a subsidiary of Transener S.A.) is in an advance stage, staying only pending the approval of the Bicameral Commission and the Executive Branch s subsequent confirmation of the terms and conditions on which such contracts are based. Moreover, our report contained qualifications for the lack of recognition of the effects of the variations in the purchasing power of the Argentine peso from March 1 to September 30, 2003 and for not having discounted the nominal values of its deferred tax assets and liabilities as required by generally accepted accounting principles in Buenos Aires City, Argentina, but not allowed by pertinent regulations of the CNV. The consolidated balance sheet of Petrobras Energía Participaciones S.A. and its subsidiaries as of December 31, 2004 includes the effects of the corporate reorganization mentioned in note 2 to the consolidated financial statements. We have not audited any financial statement as of any date or for any period subsequent to December 31, 2004.

b)

On August 6, 2004, we issued a limited review report on the financial statements of Petrobras Energía Participaciones S.A. and its subsidiaries for the six-month period ended June 30, 2004, based on our review and on the other auditors reports for the related companies mentioned in paragraph 5. Such report included qualifications for unresolved uncertainties mentioned by the other auditors referred to the ability to continue as going concern of the related companies Compañía Inversora en Transmisión Eléctrica Citelec S.A., Compañía de Inversiones de Energía S.A. and Transportadora de Gas del Sur S.A.. The reports of the other auditors on the financial statement of Transportadora de Gas del Sur S.A. and Compañía Inversora en Transmisión Eléctrica Citelec S.A. for the six-month period ended June 30, 2004 differ from the ones previously presented. The limited review report of the other auditors on the financial statements of Transportadora de Gas del Sur S.A. for the six-month period ended June 30, 2004 includes qualifications for unresolved uncertainties referred to the future development of the company s regulated businesses and the recoverable value of its non-current assets corresponding to the regulated business. The limited review report of the other auditors on the financial statements of Compañía Inversora en Transmisión Eléctrica Citelec S.A. for the six-month period ended June 30, 2004 does not include any qualification for uncertainties. In addition, our report contained qualifications for the lack of recognition of the effects of the variations in the purchasing power of the Argentine peso from March 1 to September 30, 2003 and for not having discounted the nominal value of its deferred tax assets and liabilities as required by generally accepted accounting principles in Buenos Aires City, Argentina, but not allowed by pertinent regulations of the CNV. The accompanying consolidated statements of income, changes in shareholders´ equity and cash flows for the six-month period ended June 30, 2004 include the effects of the corporate reorganization mentioned in note 2 to the consolidated financial statements.

Buenos Aires, Argentina,

August 5, 2005

PISTRELLI, HENRY MARTIN Y ASOCIADOS S.R.L.

ENRIQUE C. GROTZ

Partner

PETROBRAS ENERGÍA PARTICIPACIONES S.A.

AND SUBSIDIARIES AND COMPANIES UNDER JOINT CONTROL

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2005 AND 2004

(Amounts stated in millions of Argentine pesos see Note 2.c, unless otherwise indicated)

1.

Business of the Company, change of corporate name and business reorganization

Petrobras Energía Participaciones S.A. (Petrobras Participaciones as the Company) holds 75.8% of Petrobras Energía S.A. (Petrobras Energía), an integrated energy company, focused in oil and gas exploration and production, refining, petrochemical activities, generation, transmission and distribution of electricity and sale and transmission of hydrocarbons. It has business in Argentina, Bolivia, Brazil, Ecuador, Peru and Venezuela. Petrobras Energía has a significant share of the regional energy market.

The Company s Special and Regular Shareholders Meeting held on April 4, 2003, approved the change of corporate name from Pecom Energía S.A. to Petrobras Energía S.A. This change in corporate name remained subject to the Comisión Nacional de Defensa de la Competencia (CNDC, Argentine anti-trust authorities) approving the transaction whereby Petrobras Participacoes SL purchased stock representing a majority interest in the Company.

In addition, the Regular and Special Shareholders Meeting of Petrobras Energía Participaciones S.A. held on April 4, 2003, approved the change of corporate name from Perez Companc S.A. to Petrobras Energía Participaciones S.A., also subject to the approval mentioned above.

The CNDC approved the transaction on May 13, 2003. Pursuant to this resolution, Petrobras Energía undertook to divest of all of its equity interest in Transener S.A., in accordance with Law No. 24,065 that provides the Electric Power Regulatory Framework; such process is subject to supervision by the Argentine Regulatory Entity of Electricity (Ente Nacional Regulador de la Electricidad or ENRE) and the approval of the Argentine Secretary of Energy. There is no period establish to divest (see note 9).

On July 4, 2003, the IGJ (regulatory agency of business associations) granted its approval for and registered both changes of corporate name, which were also approved by the Argentine Security Commission (Comisión Nacional de Valores or CNV) on June 9, 2003.

On November 12, 2004, the Boards of Directors of Petrobras Energía, Eg3 S.A. ("Eg3") and Petrobras Argentina S.A. ("PAR") and the Management of Petrolera Santa Fe S.R.L. ("PSF"), in their respective meetings, approved the preliminary agreement for the merger of Eg3, PAR, and PSF with and into Petrobras Energía, with the former companies being dissolved without liquidation.

As the result of the merger, Petróleo Brasileiro S.A. Petrobras (Petrobras), owner of a 99.6% equity interest in EG3 and 100% equity interest in PAR and PSF through its subsidiary Petrobras Participaciones SL, will receive, through such subsidiary, 230,194,137 new shares of class B stock in Petrobras Energía, with a nominal value of Argentine Pesos 1 each and entitled to one vote per share, representing 22.8% of capital stock. Accordingly, the new capital stock of Petrobras Energía will be set at Argentine pesos 1,009,618,410.

As a result of the merger, Petrobras Energía Participaciones S.A. s ownership interest in Petrobras Energía decreased from 98.21% to 75.8%.

The abovementioned merger was approved by the Special Shareholders Meetings of PESA, Eg3, PAR and by the Special Partners´ Meeting of PSF held on January 21, 2005. The effective merger date was set on January 1, 2005.

On March 3, 2005, the final merger agreement was subscribed and subsequently, on June 28, 2005, the CNV approved the merger and authorized the public offering of the Petrobras Energía shares. As of the date of issuance of these financial statements, the registration of the merger in the Public Registry of Commerce is still pending.

2.

Basis of presentation

Petrobras Energía Participaciones S.A. consolidated financial statements have been prepared in accordance with the regulations of the CNV and except for the matters described in Note 3, with Generally Accepted Accounting Principles in Argentina, as approved by the CPCECABA (Professional Council in Economic Sciences, of the City of Buenos Aires) applicable to consolidated financial statements (Argentine GAAP).

The accompanying financial statements have been translated into the English language from those issued in Spanish in accordance with the CNV regulations. They have also been reformatted in a manner different from that presented in Spanish, but in all other respects follow accounting principles that conform with the CNV regulations.

Certain accounting principles applied by the Company do not conform with U.S. generrally accepted accounting principles ("U.S. GAAP"). The difference between the accounting practices applied by the Company and U.S. GAAP have not been quantified. Accordingly, these financial statements are not intended to present financial position, results of operations and cash flows in accordance with U.S. GAAP.

Certain disclosures related to formal legal requirements for reporting in Argentina have been omitted for purposes of these consolidated financial statements.

The preparation of financial statements in conformity with Argentine GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While it is believed that such estimates are reasonable, actual results could differ from those estimates.

a) Basis of consolidation

In accordance with the procedure set forth in Technical Resolution No. 21 of the FACPCE (Argentine Federation of Professional Councils in Economic Sciences), Petrobras Participaciones has consolidated line by line its financial statements with the financial statements of the companies over which Petrobras Participaciones exercises control or joint control. Joint control exists where all the shareholders, or only the shareholders owning a majority of votes, have resolved, on the basis of written agreements, to share the power to define and establish a company s operating and financial policies.

In the consolidation of controlled companies, the amount of the investment in such subsidiaries and the interest in their income (loss) and cash flows are replaced by the aggregate assets, liabilities, income (loss) and cash flow of such subsidiaries, reflecting separately all minority interests in the subsidiaries. Related party receivables, payables and transactions within the consolidated group are eliminated. The unrealized intercompany gains (losses) from transactions within the consolidated have been completely eliminated.

In the consolidation of companies over which the Company exercises joint control, the amount of the investment in the subsidiary under joint control and the interest in its income (loss) and cash flows are replaced by the Company s proportional interest in the subsidiary s assets, liabilities, income (loss) and cash flows. Related party receivables, payables and transactions within the consolidated group and companies under joint control have been eliminated in the consolidation pro rata to the shareholding of the controlling company.

The data about the companies over which the Company exercises control, joint control and significant influence are disclosed in Note 20.f).

The companies under joint control are Distrilec Inversora S.A., Compañía de Inversiones de Energía S.A., and Citelec S.A. The Company has not consolidated proportionately on a line-by-line basis the assets, liabilities, income (loss) and cash flows of the interest in Citelec S.A. since Petrobras Energía agreed to divest such interest in connection with the transfer of 58.62% of the shares of Petrobras Energía Participaciones S.A. to Petrobras (see Note 9.III).

b) Foreing Currency translation

The Company applies the translation method established by Technical Resolution no. 18 of the FACPCE for the translation of financial statements of foreign subsidiaries, affiliates, branches and joint ventures. This method is applied on a prospective basis as from January 1, 2003 in accordance with the transition standards.

In the opinion of the Company s Management, the transactions carried out abroad have been classified as not integrated to the Company s transactions in Argentina. Such transactions are not an extension of the Company s transactions due to, among others, the following reasons:

a)

transactions with the Company are not a high proportion of the entity s activities abroad;

b)

activities of foreign business are partially financed with funds from their own transactions and with local loans;

c)

sales, workforce, materials and other costs of goods and services related to transactions abroad are settled mainly in a currency other than the currency of the investor s financial statements; and

d)

Company s cash flows are independent from the day-to-day activities of the foreign business and are not directly affected by the size or frequency of the activities of foreign business.

Upon applying the translation method, first the foreign transaction are remeasured into US dollars (functional currency for such transactions), as follows:

•

Assets and liabilities stated at current value are converted at the closing exchange rates.

•

Assets and liabilities measured at historical values and the income (loss) are converted at historical exchange rates.

•

Remeasurement results are recognized in the results for the fiscal period.

After the transactions are remeasured into US dollars, they are translated into Argentine pesos as follows:

- Assets and liabilities are translated by using the closing exchange rate.
- Income (loss) is translated at the historical exchange rates.

The translation effect arising from the translation of the financial statements is disclosed in the Transitory differences - foreign currency translation .

The above also applies to exchange differences arising from liabilities in foreign currency assumed to hedge the net investment in the foreign entity.

c) Restatement in constant money

The Company presents its consolidated financial statements in constant money following the restatement method established by Technical Resolution No. 6 of the FACPCE and in accordance with CNV General Resolutions No. 415 and 441.

Under such method, the consolidated financial statements integrally recognize the effects of the changes in the purchasing power of Argentine peso through August 31, 1995. As from September 1, 1995, under CNV General Resolution No. 272, the Company interrupted the use of such method maintaining the restatements made through such date. This method has been accepted by professional accounting standards through December 31, 2001.

On March 6, 2002, the CPCECABA approved Resolution MD No. 3/2002 providing, among other things, the reinstatement of the adjustment-for-inflation method for the interim periods or years ended as from December 31, 2002, allowing for the accounting measurements restated based on the change in the purchasing power of the peso through the interruption of adjustments, such as those whose original date is within the stability period, to be stated in pesos as of December 2001. Through General Resolution No. 415 dated July 25, 2002, the CNV required that the information related to the financial statements to be filed after the date on which the regulation became effective be disclosed adjusted for inflation.

The restatement in constant pesos method is applied to the accounting cost values immediately preceding the capitalization of the exchange differences capitalization of the exchange differences mentioned in note 4.o), which represent an anticipation of the effects of variances in the purchasing power of the Argentine peso, which will be subsequently absorbed by the restatement in constant pesos of the assets indicated in such note.

On March 25, 2003, the Executive Branch of Government issued Executive Order No. 664 establishing that the financial statements for years ending as from such date be filed in nominal currency. Consequently, and under CNV Resolution No. 441, the Company no longer applied inflation accounting as from March 1, 2003. This method was not in accordance with professional accounting standads effective in the city of Buenos Aires. The CPCECABA, through Resolution N° 287/03 discontinued, the application of the restatement method as from October 1, 2003.

d) Accounting for the transactions of oil and gas exploration and production joint ventures and foreign branches

The Company´s interests in oil and gas involve exploration and production joint ventures which have been proportionally consolidated. Under this method, the Company recognizes its proportionate interest in the joint ventures' assets, liabilities, revenues, costs and expenses on a line-by-line basis in each account of its financial statements. Foreign branches have been fully consolidated.

e) Financial statements used

The financial statements of the subsidiaries and companies under joint control as of June 30, 2005 and 2004 and as of December 31, 2004 or the best available accounting information at such dates, were used for consolidation purposes and adapted to an equal period of time respect to the financial statements of the controlling company, after considering the adjustments to homogenize to the Company's valuation methods.

f) Petrobras Energía´s Corporate reorganization accounting effects

Petrobras Energía booked the effects of the corporate reorganization indicated in Note 1 in accordance with the pooling-of-interest method described in Technical Resolution No. 18 of the FACPCE.

Although Argentine professional accounting standards refer to business combinations, they do not mention the treatment applicable to the merger between entities under common control. Given the lack of a particular regulation, FACPCE Technical Resolution No. 17, as amended by Resolution C.D. No. 243/01 of the CPCECABA, establishes that the situations not regulated will be resolved pursuant to generally applicable international standards, taking into account especially the market and the standards regulating the issuer of financial statements.

In this regard, taking into account that the Company s Class B shares are listed on the New York Stock Exchange, the accounting standards effective for such market (Statement of Financial Accounting Standard No 141) set forth that the merger between entities under common control should be accounted for using the pooling-of-interest method.

According to the method, the assets, liabilities and components of the shareholders equity of the transferring entities are recognized in the combined entity based on their carrying amounts as of the effective merger date.

The effective merger date was set as January 1, 2005, as from when all assets, liabilities, rights and obligations of the absorbed companies were considered incorporated into Petrobras Energía.

According to the method, consolidated financial statements have been restated for all periods prior to the merger to include the results of operations, financial position and cash flows of Eg3 S.A., Petrobras Argentina S.A. and Petrolera Santa Fe S.R.L. as though they had always been a part of PESA. Considering that the effective merger date is January 1, 2005, shareholder s equity and the result of operations do not change due to the merger. The net effects of additions, both at the financial and income levels, are presented in Minority interest in subsidiaries .

The assets and liabilities previously reported by Eg3 S.A., Petrobras Argentina S.A. and Petrolera Santa Fe S.R.L. as of December 31, 2004 are as follows:

The net sales and net income (loss) previously reported by the combined companies for the six-month period ended June 30, 2004, are as follows:

3. Accounting standards

These financial statements have been prepared in accordance with professional Argentine GAAP and the applicable CNV regulations, which differ from Argentine GAAP as follows:

a) valuation of deferred tax at nominal value without applying any discounted values as required by CNV General Resolution No. 434.

b) the date of discontinuance of the restatement in constant money provided for in FACPCE Technical Resolution No. 6, as described in note 2.c).

c) the special treatment enabling the financial costs of payables to finance the investment in large infrastructure works and accrued after the total or partial launch of the facilities (as provided for in Section 4 of Resulution CD No. 243/01) may not be applied.

d) the possibility of capitalizing the financial costs of financing with the Company s own capital may not be applied.

4. Valuation methods

The main valuation methods used in the preparation of the consolidated financial statements have been as follows:

a) Accounts denominated in foreign currency:

At the prevailing exchange rates at the end of each fiscal year, including accrued interest, if applicable. The summary of accounts denominated in foreign currency is disclosed in Note 20.d).

b) Inventories:

Crude oil stock: at reproduction cost.

Materials: of high-turnover, at replacement cost; of low-turnover, at the last purchase price, restated in constant money, according to Note 2.c).

Work in progress and finished products relating to refining and petrochemical activities: at replacement or reproduction cost, as applicable, applied proportionally in the case of goods in process according to the degree of process of the related good.

Stock of liquid petroleum gases (NGL) in the gas pipeline system in excess of the line pack and held by third parties and stock of NGL obtained from the natural gas processing: at replacement or reproduction cost, as appropriate.

The carrying amount of these assets does not exceed their recoverable value.

c) Investments:

Listed shares and government securities:

-

Available for sale: at market value at the end of each period, less the estimated selling expenses. Any gain or loss due to market fluctuations is reflected currently in income in the Financial income (expense) and holding gains (losses) account.

-

Held to maturity: at original value increased based on its internal rate of return at acquisition. Interest gain is credited to income on an accrual basis. As of June 30, 2005, the Company maintained investments with market value is 5 and its book value is 5.

Certificates of deposit and loans to affiliates over which significance influence is exercised: at face value plus accrued interest.

Investments in mutual funds: at market prices at the end of each period.

Gasoducto Sur Extension Trust representative debt values: at the nominal value plus accrued interest (See Note 9.III)

Shares Participation in affiliates, in which the Company exercises significant influence:

By the equity method. For the determination of the Company's equity in affiliates over which significance influence is excercised, the Company has used financial statements from affiliates, or the best available financial information.

For the determination of the Company's equity in affiliates, consideration has been given to the adjustments to adapt the valuation methods of some affiliates to those of the Company, irrevocable contributions made by others, elimination of reciprocal investments, intercompany profits and losses, the difference between acquisition cost and book value of affiliates at the time of the acquisition and the holding of preferred stock and dividends by the affiliates. Cash dividends from affiliates approved by shareholders' meetings held prior to the date of issuance of these financial statements, which are placed at the shareholders' disposal within a term not exceeding one year are deducted from the value of the investment and included in current investments.

Other shares interests in affiliates in which the Company does not exercise significant influence: at acquisition cost restated in constant money as shown in Note 2.c).

d) Trade receivables and payables:

Trade receivables and payables have been valued at the spot cash estimated at the time of the transaction, plus accrued financial components, net of payments collected, or at the estimated present value. The principal amount is equal to the cash price, if available, or the nominal price less implicit interest calculated at the prevailing interest rate on the date of the original transaction. No implicit financial components inherent in our trade receivables and payables, which generally have terms that do not exceed 90 days, were identified.

Trade receivables include billed uncollected services and services rendered but not yet billed as of each period. The services rendered but not yet billed were estimated on the basis of series of actual historical data billings subsequent to each period. The total amount of receivables is net of an allowance for doubtful account.

e) Financial receivables and payables:

Financial receivables and payables have been valued according to the money paid and collected, respectively, net of transaction costs, plus accrued financial gains (losses) on the basis of the explicit or estimated rate at such time.

f) Other receivables and payables:

Other receivables and payables have been valued on the basis of the best possible estimate of the amount to be collected and paid, respectively, discounted in the relevant cases, using the estimated rate at the time of initial measurement, except for the deferred tax assets and liabilities. As established by CNV regulations, deferred tax assets and liabilities have not been discounted. This criterion does not comply with accounting standards effective in the City of Buenos Aires, which required that such balances have to be discounted.

g) Property, plant & equipment:

Property, plant & equipment, except as indicated below, have been valued at acquisition cost restated in constant currency, according to Note 2.c), less related accumulated depreciation.

Property, plant & equipment related to foreign operations were converted into US dollars since that is the functional currency for such operations, at its historical exchange rates, and they have been translated into Argentine pesos at the exchange rate effective as of closing in accordance with the method for converting foreign operations described in Note 2.b).

In accordance with the Statement of Financial Accounting Standard No. 19 (SFAS N°19) outlines, the Company uses the successful efforts method of accounting for its oil and gas exploration and production activities. This method involves the capitalization of: (i) the cost of acquiring properties in oil and gas production areas; (ii) the cost of drilling and equipping exploratory wells that result in the discovery of reserves economically exploited; (iii) the cost of drilling and equipping development wells, and (iv) the estimated future costs of abandonment and restoration.

In accordance with the SFAS N°19, exploration costs, excluding exploratory well costs, are charged to expense during the year in which they are incurred. Drilling costs of exploratory wells are capitalized until determination is made on whether the drilling resulted in proved reserves that justify the commercial development. If such reserves are not found, such drilling costs are charged to expense. Occasionally, an exploratory well may determine the existence of oil and gas reserves but they cannot be classified as proved when drilling is complete. In these cases, incorporating the changes introduced by the interpretation FASB Staff Position 19-1, as from April 2005 such costs should continue to be capitalized when the well has found sufficient quantity of reserves to justify its completion as a producing well and the company is making sufficient progress in assessing the economic and operating viability of the project. Before such interpretation, SFAS 19 provided: (I) if the well found reserves in an area requiring major capital expenditures before production may start, classification of such reserves as proved is dependent upon whether any additional reserves are found justifying the abovementioned investment. In this case, the cost of the exploratory well continues capitalized as long as it meets the following two conditions: (a) reserves found are sufficient to justify completion of the well as producer if the capital investment is made, and (b) the drilling of additional exploratory wells is in progress or firmly planned for the near future. Otherwise, drilling costs are charged to expense; (II) if the reserves are not classified as proved for any other reason, drilling costs of exploratory wells should not remain capitalized for a period exceeding one year after the completion of the drilling. If after one year no reserves are classified as proved,, exploratory well costs should be charged to expense. As of June 30, 2005 and December 31, 2004 the Company has capitalized costs of exploratory wells amounting to 27 and 18, respectively.

The Company depreciates productive wells, as well as machinery, furniture and fixtures and camps in the production areas according to the units of production method, by applying the ratio of oil and gas produced to the proved developed oil and gas reserves. The acquisition cost of property with proved reserves is depreciated by applying the ratio of oil and gas produced to estimated proved oil and gas reserves. Acquisition costs related to properties with unproved reserves is valued at cost and its recoverability is assessed from time to time on the base of geological and engineering estimates of possible and probable reserves that are expected to be proved over the life of the concession.

Estimated future restoration and abandonment well costs in hydrocarbons areas discounted at an estimated rate at the time of their initial measurement, are included in the value at which the assets that gave rise to such costs are capitalized, and are depreciated using the units of production method. Additionally, a liability is recognized for such costs at the estimated value of the amount payable, discounted at an estimated rate at the time of its initial measurement.

The Company estimates its reserves at least once a year. As of December 31, 2004 total oil and gas reserves were audited by Gaffney, Cline & Associates Inc., independent international technical and management advisors.

The Company 's remaining property, plant & equipment are depreciated by the straight-line method based on their existing exploitation concession terms and their estimated useful lives as the case may be.

The cost of works in progress, whose construction will extend over time, includes the computation of financial costs accrued on loans granted by third parties, if applicable, and the costs related to putting the facilities into operation that are considered net of any income obtained from the sale of commercially valuable production during such process.

The value of CIESA s property, plant and equipment transferred under the Gas del Estado privatization process was determined based on the price paid for the acquisition of 70% of Transportadora de Gas del Sur S.A. ´s common stock. This price was the basis to determine a total value of common stock, to which was added the value of the debts assumed under the Transfer Agreement, in order to determine the initial value of property, plant and equipment. Such value, converted at the exchange rate effective at the date of the Transfer Agreement, has been restated into constant pesos as explained in Note 2.c.

Company Management assesses the recoverability of property, plant and equipment items whenever there occur events or changes in circumstances (including significant decreases in the market value of inventories, in the prices of the main products sold by the Company or in oil and gas reserves, as well as changes in the regulatory framework for Company activities, significant increases in operating expenses, or evidence of obsolescence or physical damage) that could indicate that the value of an asset or of a group of assets might not be recoverable on the basis of undiscounted net cash flows. The Company assesses the recoverability of such assets (including oil and gas areas) on the basis of a variety of indicators, including operating results, business plans, economic projections and expected cash flows. The

net book value of an asset is adjusted to fair value if the expected undiscounted cash flows are lower than the book value of the asset in question. Recoverable values are based on the discounted cash flows from such assets, which are determined considering, among other elements, the premises that represent Management's best estimation of the economic conditions that will exist during the useful life of the assets, assuming discount rates that reflect the marketplace's evaluation of the time value of money and the specific risks related to the asset.

The value of property, plant & equipment, measured for each identifiable business unit or line of business, i.e. producing an independent stream of revenues for the Company, do not exceed their recoverable value.

h) Environmental costs:

The costs incurred to limit, neutralize or prevent environmental pollution are only capitalized if at least one of the following conditions is met: (a) such costs relate to improvements in capacity and safety; (b) environmental pollution is prevented or limited; or (c) the costs are incurred to prepare the assets for sale and the book values of such assets together with the additional cost do not exceed their respective recoverable values.

Liabilities related to future remediation costs are recorded when environmental assessments are probable, and the costs can be reasonably estimated. The timing and magnitude of these accruals are generally based on the Company´s commitment to a formal plan of action, such as an approved remediation plan or the sale or disposal of an asset. The accrual is based on the probability that a future remediation commitment will be required.

The Company records the related liabilities based on its best estimate of future costs, using currently available technology and applying current environmental regulations as well as the Company´s own internal environmental policies.

i) Income tax, tax on minimum presumed income, royalties and withholdings on export of hydrocarbons:

The Company and its affiliates estimate income tax on individual basis under the deferred tax method.

The deferred tax balance as of the end of each period has been determined on the basis of the temporary differences generated in certain items that have a different accounting and tax treatment.

To book such differences, the Company uses the liability method, which established the determination of net deferred tax assets and liabilities on the basis of temporary differences determined between the accounting measurement of assets and liabilities and the related tax meassurement. Temporary differences determine the balance of tax assets and

liabilities where their future reversal decreases or increases the taxes determined. Where there are unused Tax loss carryforwards that may be offset against future taxable income, the Company recognize a deferred tax asset, only to the extent that recovery of such asset is probable.

Deferred tax assets and liabilities have been valued at their nominal value, as established by CNV s General Resolution No. 434. The professional accounting standards effective in the City of Buenos Aires require that such nominal value be discounted at a current rate estimated as of each period-end.

The tax on minimum presumed income is supplementary to income tax, since while the latter is levied on the year's taxable income, the tax on minimum presumed income is a minimum tax levied on the potential income of certain productive assets at the rate of 1%, so that the Company's final liability will be equal to the higher of both taxes. However, should the tax on minimum presumed income exceed the income tax in any given year, such excess may be applied to reduce any excess of income tax over the tax on minimum presumed income in any of the ten succeeding years.

For the operations in Argentina, Venezuela, Brazil, Peru, Ecuador and Bolivia the income tax accrual was calculated at the tax rates of 35%, 34%, 34%, 30%, 36.25% and 25%, respectively. Additionally, payment of Bolivian-source income to beneficiaries outside Bolivia is subject to a 12.5% withholding income tax and, a 34% income tax is levied on the dividends paid by Venezuelan companies, in event of income in excess of taxable income.

Law No. 25,239 and its Administrative Order No. 1,037/2000 amended income tax law to establish, among other things, that shareholders residing in Argentina of companies organized or operating in countries with low or no-taxation with non-operating income exceeding 50% of net income, are to book accrued passive income such as interest, dividends, royalties, rents or other similar passive income to the fiscal year, although the income was not remitted or credited to any account. The Law and Administrative Order also establish that such companies shall not generate Argentine tax credits for the tax paid abroad.

Royalties are paid in Argentina for the production of crude oil and for effectively used volumes of natural gas. Those royalties are 12% of the wellhead estimated price for oil and gas. The wellhead price represents the final sales price less treatment, storage and transportation costs Hydrocarbons production in Bolivia is subject to royalties and direct taxes that, overall, represent 50% of the estimated wellhead value of such products, which is taken to be the invoicing price less associated transportation expenses. Royalties are charged to production costs in the Oil and gas royalties account. In Venezuela, for the Acema, Mata and La Concepción (Third Round) areas, 30% royalties are paid with respect to the excess production, calculated based on the crude wellhead estimated price. Under contractual terms, royalties of the Third Round areas are deducted from the sales price. In Peru, the royalties paid for the production of crude oil are determined on the basis of the price of a basket of varieties of crude oil, starting at rate of 13% for prices of up to US$ 23.9 per barrel. The royalty rate applicable as of June 30, 2005, was 23.2%. Production of natural gas in Peru is subject to a fixed royalty of 24.5%.

As regards the Pichi Picún Leufú Hydroelectric Complex, as provided in the concession agreement, the Company pays hydroelectric royalties of 1% increasing at a rate of 1% per annum up to the maximum percentage of 12% of the amount resulting from applying the rate for the bulk sale to the power sold under the terms of Section No. 43 of Law No. 15,336, as amended by Law No. 23,164. In addition, the Company is subject to a license fee payable monthly to the Federal Government for the use of the power source equivalent to the 0.5% of the same basis used for the calculation of hydroelectric royalty.

The Public Emergency and Exchange System Reform Law No. 25,561 establishes the creation of a system of withholdings on exports of hydrocarbons for five years, since March 1, 2002. The current withholding rate is 5% for refined products, 20 % for LPG and 20% for natural gas. There is a special withholding regime on crude oil exports, starting at 25% if the price per barrel equals or is less than US$ 32, plus increasing withholdings rates ranging from 3% to 20%, depending on whether the price per barrel of crude oil varies from US$ 32.01 to US$ 45, with a maximum withholding of 45% when the price exceeds US$ 45.

j) Liabilities for labor costs:

Liabilities for labor costs are accrued in the periods in which the employees provide the services that trigger the consideration.

For purposes of determining the estimated cost of postretirement benefits granted to employees, the Company has used actuarial calculation methods, making estimates with respect to the applicable demographic and financial variables.

k) Contingencies:

Certain conditions may exist as of the date of financial statements which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. Such contingent liabilities are assessed by the Company s management based on the opinion of Petrobras Participaciones's legal counsel and the available evidence.

Such contingencies include outstanding lawsuits or claims for possible damages to third parties in the ordinary course of the Company´s business, as well as third party claims arising from disputes concerning the interpretation of legislation.

If the assessment of a contingency indicates that it is probable that a loss has been incurred and the amount of the loss can be estimated, a liability is accrued in the Reserves account. If the assessment indicates that a potential loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the possibility of occurrence, is disclosed in a note to the financial statements. Loss contingencies considered remote are not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

Significant litigations in which the Company is involved and the movements of reserves are disclosed in Note 12.

l) Earnings per share:

Earnings per share for the six-month periods ended June 30, 2005 and 2004, were calculated on the basis of the number of outstanding shares in each year. Since the Company does not have preferred assets or convertible debt securities, the basic earnings per share is equal to the diluted earnings per share.

m) Shareholders equity accounts:

They were restated into constant currency, according to Note 2.c), as of year-end, except for Capital stock that represents subscribed and paid-in capital. The adjustment arising from the restatement into constant currency is disclosed under Adjustment to capital stock . The account Treasury stock relates to the purchases of shares of the Company by Petrobras Energía, and are deducted from the shareholders equity at acquisition cost, disclosed in a separate line in the statement of changes in shareholders equity.

n) Revenue recognition:

The Company generally sells crude oil, natural gas and petroleum, petrochemical, and other products. In all cases, revenues are recognized when the products are delivered, which occurs when the customer has taken title and has assumed the risks and rewards of ownership, prices are fixed or determinable and collectibility is reasonably assured.

Revenues from the production of oil and natural gas properties in which the Company has an interest with other producers are recognized on the basis of the Company s net working interest.

Revenues from sales resulting from the natural gas transportation under firm agreements are recognized by the accrued reserve of the transportation capacity hired, regardless of the volumes carried. Revenues generated by interruptible gas transportation and by certain LNG production and transportation contracts, are recognized at the time the natural gas and the liquids, respectively, are delivered to the customers. For other LNG production contracts and other services, revenues are recognized upon services are rendered.

Sales between group companies are based on prices generally equivalent to commercially available prices.

o) Statement of income accounts:

Restated into constant currency through the end of the period, according to Note 2.c), considering the following:

- The accounts accumulating monetary transactions at nominal value, less imputed financial components, where applicable.

- Depreciation and consumption expenses related to non monetary assets were charged to income (losses) taking into account the restated costs of such assets.

- Financial income (expense) and holding gains (losses) are broken down between those generated by assets and those generated by liabilities. Financial (expense) income, net discloses financial income and expenses, exchange differences and income (loss) from changes in the quotation of government securities and shares, at their restated nominal value, according to Note 2.c).

CNV General Resolution No. 398 allows, as an exceptional treatment, the one provided for in Resolution M.D. No. 3/2002 of the CPCECABA, whereby the exchange differences originated as from January 6, 2002, from liabilities in foreign currency existing as of such date directly related to the acquisition, construction, or production of property, plant & equipment, intangibles, and long-term investments in other companies organized in the country should be allocated at the cost values of such assets with a number of conditions established in such professional standard. Direct financing shall mean that granted by the supplier of the goods, billed in foreign currency, or that obtained from financial institutions for identical purposes. In the cases in which there is an indirect relation between the financing and the acquisition, production, or construction of the assets, such exchange differences may also be allocated, under certain conditions, to the cost values of such assets. The Company has adopted the method of capitalizing exclusively the foreign exchange differences resulting from direct financing. Subsequently, in July 2003, the CPCECABA put into effect Resolution C.D. No. 87/03, which - among other measures - abrogated the provisions of Resolution M.D. No. 3/2002 mentioned above. Consequently, as from such date, the Company ceased to apply the exchange difference

capitalization / de-capitalization method.

As described above, as of June 30, 2005 and December 31, 2004, the Company has capitalized exchange differences, principally through the investment in Ciesa, amounting to a residual value of 41 and 43.

5. Accounting for derivative financial instruments

Hedging and other derivatives:

The Company uses various derivative financial 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 designated as hedging specific exposures, highly correlated to the risk exposure in question and highly effective in offsetting changes in cash flows inherent to the covered risk.

The use of derivative financial instruments exposes the Company to credit risk. In addition, the Company uses strict policies for the approval of lines of credit, applies several procedures to evaluate these risks and seeks to reduce this credit exposure by means of the use of certain tools, such as anticipated collections or payment agreements for such operations and the offsetting of collections and payments.

Derivative financial instruments are measured at their fair value, determined as the amount of cash to be collected or paid to settle the instrument as of the date of measurement, net of obtained or paid advances.

Changes in the accounting measurement of derivative financial instruments designated as cash flow hedge, which have been designated as effective hedges, are recognized under Transitory differences-Measurement of derivative financial instruments designated as effective hedge , and any other change is recognized under financial income (expense) for the year. Changes in the accounting measurement of derivate financial instruments recognized under Transitory differences-Measurement of derivative financial instruments designated as effective hedge are subsequently reclassified to income (loss) for the period in which the hedged item affects such results.

A hedge is considered to be effective when at its inception, as well as during its life, its changes offset from eighty to one hundred and twenty five percent the opposite changes of the hedged item. In this respect, the Company excludes the specific component attributable to the time-value of an option when measuring the effectiveness of instruments

that qualify for hedge accounting.

Hedge accounting must cease for the future upon occurrence of any of the following events: (a) the hedge instrument has matured or has been settled; (b) the hedge transaction is no longer effective; or (c) the projected transaction does not have a high likelihood of occurrence. Should that be the case, the income (loss) arising from the hedge instrument that would have been allocated to Transitory differences-Measurement of derivative financial instruments designated as effective hedge should remain there until the committed or projected transactions occurs in the case of (a) and (b), and are charged to income in the case of (c).

Changes in the accounting measurement of derivative financial instruments that not qualify for hedge accounting are recognized in the state of income under Financial income (expense) and holding gains (losses) .

a)

Instruments that qualify for hedge accounting

Hedge of produced crude oil price

These instruments use West Texas Intermediate (WTI) as reference price, which is used mainly to determine the sale price in the market.

As of June 30, 2005 and 2004 the Company did not have positions in derivatives of the crude oil price related to the future production that qualify for hedge accounting purposes.

Hedge of interest rates

As of June 30, 2005 the Company has an agreement for the purpose of hedging class C notes exposed to fluctuations with the LIBOR, fixing the rate at 7.93% per annual. Such contract term expires in July 2005, payable in quarterly installments as from 2004. The market value as of the end of the period amounts to 1. In accordance with the early

redemption of Class C Corporate Bonds, in April 2005, hedge accounting ceased to be applied and consequently subsequent changes in the derivative instrument measurement were allocated to income.

During the period, the changes in Transitory differences-Measurement of derivative financial instruments designated as effective hedge was:

b)

Instruments that do not qualify for hedge accounting

As of June 30, 2005 and 2004, losses of derivative financial instruments that do not qualify for hedge accounting amount to 269 and 365, respectively.

The main conditions and terms by type of instrument as of June 30, 2005 are as follows:

(1)

Options on swaps exercised by the other party.

6. Oil and gas areas and participation in joint ventures

As of June 30, 2005, the Company was part of the oil and gas consortiums, joint-ventures and areas indicated in Note 20.g). As of that date, the aggregate joint ventures and consortia assets, liabilities and results in which the Company is a party, included in each account of the balance sheet and the statement of income, respectively, utilizing the proportionate consolidation method are disclosed in Note 20.h).

The production areas in Argentina and Peru are operated pursuant to concession production agreements with free crude oil availability. Those related to Venezuela are exploitation service agreements, in which Petróleos de Venezuela S.A. (PDVSA) owns all the oil and gas produced and is responsible for the payment of all royalties and taxes related to the production and will receive, upon expiration of the agreement term, the exclusive ownership of all operating facilities, property and equipment used by the joint ventures to perform the activities under the agreement. In Bolivia it is a shared-risk contract signed with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB) with free production availability.

In Ecuador, operation contracts for Block 18 stipulate the free disposition of the oil produced and differential production percentages to go to the Ecuadorean Government. In the Pata field, the Government receives a production share ranging from 25.8%, if daily production is lower than 35,000 barrels per day, to 29%, if production exceeds 45,000 barrels per day. For the middle range, the share is about 26.1%. As for operation of the Palo Azul field, the percentages are determined in accordance with a formula that takes into account the final price of the crude produced and the level of total proved reserves. Namely, if the crude from Palo Azul is sold at less than US$ 15 per barrel, the Government receives about 30% of the crude produced, while, if the price of the crude is US$ 24 or higher, the

Government receives about 50% of production. For the other price ranges, a price scale was agreed. The selling price of the Palo Azul crude is calculated considering as reference the barrel of WTI after the standard market discount for the *Oriente* crude. As of June 30, 2005, the Government's shares of the oil produced at the Pata and Palo Azul fields was 25.8% and 50%, respectively.

Block 31 has no production yet, given that it is in the early stages of development, but as soon as it produces its first barrel, the Government s share will range from 12.5% to 18.5%, depending on daily production volumes and oil density. The concession agreement for Block 31 provides for the free availability of the crude oil produced.

The Company is jointly and severally liable with the other joint venturers for meeting the contractual obligations under these arrangements.

As regards the Oritupano-Leona area, in Venezuela, the joint venture awarded the area receives a variable operation fee based on production volumes, which amounts to US$ 7.4 per barrel as of June 30, 2005, plus a capital fee for reimbursement of certain exploration and development investments. Under the terms of the service agreement executed with PDVSA, the total amount to be paid may not exceed approximately US$ 40.3 per barrel, variable according to a basket of oil market prices. The agreement establishes an additional compensation as an incentive for additional production once the area reaches an accumulated production of 155 million barrels. This compensation is based on an additional rate per barrel, adjusted according to the variations in a basket of crude oil prices, and it is independent from the total maximum fee. During the first quarter of 2005, the consortium reached the accumulated production established by the agreement and, consequently, it began accruing such incentive on production.

In relation to the Mata, Acema and La Concepción fields, also in Venezuela, the joint ventures awarded the areas are paid a fee for the operation services rendered, which covers investments and production costs plus a gross profit. The fee has a fixed component related to contractual baseline production and a variable component related to incremental production, that covers investments and production costs plus a gross profit up to a maximum tied to a basket of international oil prices.

Investment commitments

Petrobrás Energía Perú S.A. has arrived at an agreement with the Peruvian Government, whereby it undertook the commitment to make investments in Lot X amounting to at least US$ 97 million approximately over the period 2004-2011. In compensation, the Peruvian Government undertook to reduce the royalties for oil and gas extraction that it charges to the company. The tasks initially planned for this project comprise the drilling of 51 wells, the reconditioning of 526 wells, the rehabilitation of 177 wells that had been abandoned temporarily and the implementation and expansion of the water injection project. As of June 30, 2005 Petrobras Energía Perú S.A. invest about US$ 35 million.

The Company has retained a portion of Block 31 in Ecuador to continue exploring, undertaking the commitment to perform an environmental impact study, as well as registration, processing and interpretation of 120 sq. km of 3D seismic, reprocessing 500 km of 2D seismic and integration with the new 3D seismics and the drilling of an exploratory well, representing an investment of about US$ 16 million. Likewise, in Block 18, the Company has commitments amounting for about US$ 47 million related to the operation of the Pata and Palo Azul fields, that include productive well drilling and the construction of crude-oil treatment plants.

Additionally, the Company has undertaken an investment commitment related to its share in the Cañadón del Puma area for 50% of the total US$ 8 million commitment, to be completed by May 2006. As of June 30, 2005 the consortium invest US$ 5 million.

Operations in Ecuador.

In Ecuador the Company operates Blocks 18 and 31, and as of June 30, 2005, the Company has a 70% and 100% share, respectively. In addition, the Company has a 11.42% share in Oleoductos de Crudos Pesados Ltd. (OCP).

In relation to the exploitation of Blocks 18 and 31, the Company has executed an agreement with OCP, whereby it has guaranteed an oil transportation capacity of 80,000 barrels per day for a 15-year term as from November 10, 2003. The type of transportation agreement is Ship or Pay . Therefore, the Company should meet its contractual obligations for the entire volume hired, although no crude oil is transported, paying, like the other producers, a rate that covers OCP operating costs and financial services, among others. As of June 30, 2005 this amounted to US$ 2.2 per barrel. The costs for the transportation capacity are billed by OCP and charged to expenses monthly. In this regard, the costs related to the crude oil volume effectively transported are charged to Administrative and selling expenses line, whereas the surplus, related to transportation capacity hired but not used is disclosed in the Other operating expenses, net line.

The Company estimates that, during the effective term of the Ship or Pay transportation agreement, the crude oil produced will be lower than our committed transportation capacity. This presumption is based on: (i) the probability estimated for the Block 31 development and (ii) the new vision about the Block 31 reserves potentiality. Accordingly, from July 2004 through the end of the agreement with OCP, the Company sold a portion of this transportation capacity (an average amount of 8,000 barrels a day). The net deficit impact is considered for the purpose of analyzing the recoverability of Ecuador s assets. As of June 30, 2005 the Company keeps an allowance for the Ecuador s assets depreciation of 319.

In order to guarantee the compliance with the Company s business commitments related to the Ship or Pay transportation agreement executed with OCP and OCP s related financial obligations, as of June 30, 2005, the Company hold letters of credit for a total amount of about US$ 133 million, without any cash collateral commitment. These letters of credit are required to remain effective until the abovementioned commitments expire. As the letters of credit expire, the Company will be required to renew or replace them. Otherwise, such amounts shall have to be deposited in cash, thus affecting the Company s financial condition.

Agreement with Teikoku Oil Co Ltd.

In January 2005, Petrobras Energía entered into a previous sale and association agreement with Teikoku whereby, after obtaining approval by the Ministry of Energy of Ecuador, Petrobras Energía will transfer 40% of our rights and interest in Blocks 18 and 31. In addition, once production in Block 31 reaches an average of 10,000 barrels of oil per day for a period of 30 consecutive days, Teikoku has agreed to assume Petrobras Energía s rights and obligations resulting from the crude oil transportation agreement entered into with OCP.

Teikoku, in turn, will make a US$ 5 million initial payment and a US$ 10 million subsequent payment upon performance of certain infrastructure works necessary for the development of Block 31

In addition, Teikoku will make investments in Block 31 in excess of its interest in the joint venture, causing an accelerated development of the block and a faster establishment of reserves into cash. This agreement enabled a 40% reduction in the letter of credits guarantying Petrobras Energía compliance with those commercial obligations assumed under the transportation agreement entered into with OCP.

Transportation agreement with Occidental Exploration and Production Company (Oxy)

In January 2005, the Company entered into a crude oil transport agreement with Oxy. Under such agreement, the Company will be able to use a pipeline owned by Oxy to transport oil produced by Block 31 to OCP s header, carrying out approximately the 25% of the production related to the proved reserves in Block 31. The agreement is effective as from the beginning of operations of Block 31 until July 2019. A ship or pay clause is included in connection with a financial obligation for an amount of about US$ 10 million along the agreement duration. To comply with the agreement, it will be necessary that Oxy facilities be expanded; this will require an investment of about US$ 14 million. Such investment will be financed by Petrobras Energía S.A. and will be reimbursed in the form of an offset of the transport rate to be paid, which will be of about 0.7 US$/bbl -adjusted based on the type of crude oil transported. During the construction phase, a stand-by letter of credit for US$ 9 million will be granted. The ship or pay obligation will be guaranteed by means of a letter of credit for US$ 2 million, which will be effective until the

field produces 10,000 barrels per day. This agreement is subject to its approval by the Ecuadorean Government.

Operations in Venezuela

In April 2005, the Venezuelan Energy and Oil Ministry (MEP) ordered Petróleos de Venezuela, S.A. (PDVSA) to review the thirty-two operating agreements signed by PDVSA s affiliates with oil companies from 1992 through 1997, including the agreements signed by the Company to regulate the exploitation of Oritupano Leona, La Concepción, Acema and Mata areas. According to the MEP, such operating agreements include clauses that are not consistent with the current Organic Oil and Gas Law, enacted in 2001.

These instructions establish that all the necessary measures shall be taken within a six-month term to convert all operating agreements currently effective into mixed-ownership companies in which the Government will hold an ownership interest of over 50% through PDVSA. As regards such agreements, the MEP has instructed PDVSA that the total amount of accumulated payments to contractors during the calendar year shall not exceed 66.67% of the value of oil and gas produced under the related agreement. On April 15, 2005, PDVSA notified Petrobras Energía Venezuela, S.A. about this situation.

As of the date of issuance of these financial statements, the Company had started the negotiation process with PDVSA and Corporación Venezolana de Petróleo with the purpose of maintaining and/or increasing the value of these businesses.

In June 2005, PDVSA notified Petrobras Energía Venezuela, S.A. that it would thereafter pay in Venezuelan bolívares the amounts of fee provided in the effective operation agreements related to the domestic component of materials and services. Such decision departs from the stipulations of operation agreements currently in effect, under which PDVSA is required to make such payments in US dollars. During the transition phase, and until PDVSA performs an audit to determine the portion attributable to the domestic component, PDVSA has resolved to pay 50% of the amounts stipulated in such contracts in US dollars and the remaining 50% in Venezuelan bolívares.

Regarding the invoicing issued to PDVSA for the Oritupano Leona Operating Agreement, a difference of US$ 11 million, in the Company s share, of the amount collected for the invoice of the first quarter of 2005 has been verified. The Company ignores the reasons for such difference, and as of the date of issuance of these financial statements is making efforts to collect the full amount of the invoice in question, which was determined fully in accordance with contractual provisions.

7. Credit risk

The Company provides credit in the normal course of business to refiners, petrochemical companies, marketers of petroleum products, crude oil exporting companies, electric power generation companies, retail customers, natural gas distributors, electric power large users and power distribution companies, among others.

Sales for the period ended June 30, 2005, were made mainly to Petróleos de Venezuela S.A., Petroperú Petróleos del Perú S.A., Petrobras International Finance Co. and Empresa Nacional de Petróleo (ENAP), and sales to such entities represented about 11%, 6%, 3% and 3%, respectively, of sales for such period, before deducting export duties.

Sales for the period ended June 30, 2004, were made mainly to Petróleos de Venezuela S.A., Petroperú Petróleos del Perú S.A. and Glencore AG and sales to such entities represented about 9%, 5% and 2%, respectively, of sales for such period, before deducting export duties.

The Company participates in the conformation of the fund created by Resolution S.E. No. 712/04 ("FONINVEMEM"), aimed to increase available electric power generation supply in Argentina, through the contribution to that fund of 65% of the difference between sales price and variable generation costs, generated from 2004 through 2006. As of June 30, 2005 the contributed capital amounted to 33, which includes 19 from the six-month period ended on this date. The total estimated contributed capital from 2004 through 2006 would amount to US$ 35 million. The final amount will depend, among other factors, on hydric conditions, on the dispatches that CAMMESA makes from the Company's generation units and on the resulting sales prices. The Company expects that this process will not generate any significant adverse effect on these financial statements.

As a result of the business of the Company and sale locations, the portfolio of receivables is well diversified, and such diversification makes the credit risk moderate. Thus, the Company constantly performs credit evaluations of the financial capacity of its clients, which minimizes the potential risk of bad debt losses.

8. Inventories

The breakdown of current and non-current inventories as of June 30, 2005 and December 31, 2004, is as follows:

9. Investments, equity in earnings of affiliates and dividends collected from affiliates

The breakdown of current and non-current investments as of June 30, 2005 and December 31, 2004, and the equity in earnings of affiliates and dividends collected from affiliates for the six-month periods ended June 30, 2005 and 2004, are as follows:

a)

Investments

b)

Equity in earnings of affiliates

(i)

Net of adjustments made to adapt TGS s valuation methods to those of the Company for 0 and 1 as of June 30, 2005 and 2004, respectively. (See Section III).

(ii)

Includes an allowance for investments depreciation of 140 (See Section III)

c)

Dividends collected from affiliates

I.

Investment in companies over which joint control or significant influence is exercised and are subject to transfer restrictions:

a)

Distrilec Inversora S.A. (Distrilec):

Distrilec is able to change its equity interest and sell its shares of Edesur S.A. (Edesur) only with the approval of the ENRE (Federal Power Regulation Authority).

In addition, over the entire term of the concession, the Class A shares in Edesur shall remain posted as bond to guarantee compliance with the obligations undertaken in the Concession Agreement. This bond in no way limits the exercise of financial and voting rights associated with the Edesur shares.

As of June 30, 2005 and December 31, 2004, the valuation of the Company s interest in Distrilec, a proportionally consolidated company, amounts to 669 and 678 respectively. These amounts include 85 and 87 corresponding to the purchase price allocated to Distrilec s fixed assets booked by the Company at the time of the acquisition of a portion of its interest.

b)

Cía. de Inversiones de Energía S.A. (CIESA):

Shareholders of CIESA, parent company of Transportadora de Gas del Sur S.A. (TGS), may not sell its Class A shares representing 51% of CIESA′s capital stock, without the prior authorization of the regulatory agency and the approval of the shareholders of CIESA.

In April 2004, the shareholders of CIESA celebrated a framework agreement whereby Petrobras Energía and Enron will reciprocally waive any right to make claims arising from or related to certain agreements executed by such groups in connection with their interests in CIESA and TGS. In addition, and in order to provide the flexibility necessary to make progress in restructuring CIESA s financial debt, the framework agreement also provides for the following share transferences. During the first phase (a), subject to the approval by the ENARGAS (Argentine gas regulatory agency), Enron will transfer 40% of the shares issued by CIESA to a trust to be organized or an alternative entity; and (b) Petrobras Energía and Petrobras Hispano Argentina S.A. will transfer common the 7.35% of the capital stock of TGS to Enron. In case that CIESA successfully renegotiate its financial debt, during the second phase, Enron would transfer its remaining interest in CIESA to the creditors, to the abovementioned trust or to an alternative institution, in accordance with the parties stipulations, while CIESA would simultaneously transfer common class B shares issued by TGS (representing about 4.3 % of the capital stock of TGS) to Enron. In no case shall the Company hold (directly or indirectly) more than 50% of the capital stock currently held in CIESA or any controlling interest in CIESA. The Framework Agreement includes the terms under which the Technical Assistance Contract is to be transferred to the Company, which was improved in July 2004 after obtaining the regulatory approvals. The bankruptcy court handling the Enron bankruptcy approved the Framework Agreement in May 2004. On April 12, 2005, and July 22, 2005, the Department of Technical Coordination of the Ministry of Economy and Production and the ENARGAS (Argentine gas regulatory agency), respectively, approved the trust transfer of 40% of Enron s shares in CIESA to the trust. The

transfer to Enron of 7.35% of TGS s class B shares belonging to Petrobras Energía and Petrobras Hispano Argentina S.A. is subject to the approval of Petrobras Energía s Board of Directors.

a)

Compañía Inversora en Transmisión Eléctrica Citelec S.A. (Citelec):

The Company may not modify or sell its equity interest in Citelec in a proportion and number of shares exceeding 49% of its shareholding without prior approval by the ENRE.

On July 28, 2004, CNDC authorized Petrobras Energía to exercise the right of first refusal on 17,406 book-entry Class A shares of common stock, representing 0.007% of Citelec s capital stock, thus taking its equity interest to 50%. Petrobras Energía exercised such option within the framework of the purchase agreement for the entire equity interest that National Grid Finance B.V. had in Citelec, executed with Dolphin Fund Management.

Upon obtaining approval by CNDC for the acquisition by Petrobras Participacoes SL of a majority shareholding in Petrobras Energía Participaciones S.A., Petrobras Energía assumed the unilateral commitment to divest all its ownership interest in Citelec, without a fixed term, and in conformity with Law No. 24,065 of the regulatory framework for the electric power sector and the concession contract thereof. Such commitment was taken into account by the Department of Competition, Deregulation and Consumer Defense upon approving such change in the ownership interest. This transference has to be overseen by the Argentine Electric Power Regulatory Agency and approved by the Argentine Energy Department. On May 26, 2005, through Resolution No. 757, the Argentine Energy Department notified the Company that it established March 31, 2006, as the deadline for Petróleo Brasileiro S.A., through Petrobras Participaciones S.L., to meet the irrevocable commitment of divesting its interest in Citelec. Afterwards, through Resolution No. 941, the Argentine Energy Department abrogated such deadline and determined that Petrobras Energía has to file a divestment plan for its interest in Citelec, with the requirement of reporting its progress on a quarterly basis.

Citelec is not permitted to modify nor sell its Class A shares representing 51% of Compañía de Transporte de Energía en Alta Tensión Transener S.A. (Transener)'s capital stock, without prior approval by the ENRE.

Transener may not modify nor sell its shareholding in Empresa de Transporte de Energía Eléctrica por Distribución Troncal de la Provincia de Buenos Aires Transba S.A., without prior approval by the ENRE.

b)

Yacylec S.A. (Yacylec):

Yacylec s Class A shares will remain pledged during the term of the concession, as security for the compliance with the obligations undertaken under the concession agreement. Any transfer of shares requires ENRE s prior authorization.

II. Enecor S.A.

For the entire term of the concession, the Class A shares in Enecor shall remain posted as bond to guarantee compliance with the obligations undertaken in the Concession Agreement. Prior authorization from the ENRE is required for any transfer of shares.

III. *Situation of the interests in public utility companies*

The scenario after enactment of the Law on Public Emergency deeply changed the financial equation of public utility companies. Particularly, the tremendous effect of the devaluation, within a context where revenues remained fixed, as a consequence of de-dollarization of rates, has affected the financial and cash flow position of companies, as well as their ability to comply with certain loan covenants. This situation has extremely conditioned the financial ability to comply with obligations.

During 2002, CIESA, TGS and Transener have suspended the payment of their financial debts. TGS and Transener restructured their financial debts through respective renegotiation processes, which counted with an acceptance of about 99.8% and 98.8% of their creditors respectively. CIESA s Management is currently negotiating with its creditors an extension of the term for the payment of its defaulted obligations.

The Public Emergency Law provided for the conversion into Argentine pesos and the elimination of indexation clauses on public service rates, thus fixing them at the exchange rate of ARS 1 = US$ 1. In addition, the Executive Branch was empowered to renegotiate those agreements entered into to provide public services, along the following criteria: (i) rates impact on economic competitiveness and revenue allocation, (ii) service quality and investment plans, to the extent that they were contractually agreed upon, (iii) users interests and access to services, (iv) the safety in the system involved, and (v) utilities profitability.

On February 12, 2002, the Executive Branch of Government issued Decree No. 293/02 whereby it recommended the Ministry of Economy to renegotiate the agreements executed with public utilities. The Ministry of Economy should have submitted a renegotiation proposal or termination recommendation to the Executive Branch of Government and then it should be sent to the applicable Congress bicameral commissions.

To allow for preserving the provision of public services, and considering the renegotiation process underway, the Executive Branch of Government issued Decree No. 146/03 authorizing an increase in gas and electric power rates. The increase in rates was objected by the ombudsman and consumer associations. On February 25, 2003, a trial court issued an injunction and suspended the increase in rates.

The UNIREN (public service agreement renegotiation and analysis unit) was created in July 2003. Such agency reports to the Ministries of Economy & Production, and Federal Planning, Public Investment & Services. The UNIREN took over the work of the Renegotiation Commission and its aim is to provide assistance in the public works and services renegotiation process, execute comprehensive or partial agreements, and submit regulatory projects related to transitory rate adjustments, among other things.

On October 1, 2003, Argentine Congress passed a bill that established the extension to December 2004 of the term granted by the Executive Branch of Government by virtue of Public Emergency Law to renegotiate the agreements executed with privatized public-service companies. Such law also will allow the Executive Branch of Government to fix public utilities rates until the completion of the renegotiation process. Subsequently, Law No. 25,792 again extended the term for renegotiating public works and utilities contracts until December 31, 2005.

In July 2004, the UNIREN made a proposal to TGS to adjust the license contractual terms, which stipulates, among other issues, a 10% rate increase effective as from 2005 as well as a comprehensive rate review effective as from 2007, TGS and its shareholders resignation to file any claim based on the emergency situation established by Law No. 25,561 prior to the agreement effective date, and to hold the Argentine Government harmless of any claim that may proceed based on the same grounds. Considering that it does not reflect the outcome of the meetings held with the UNIREN, TGS requested to continue with the negotiation process so as to reach a comprehensive agreement during the first half of 2005. On April 27, 2005, the public hearing called by the UNIREN was held to analyze the proposal made on July 2004. During such meeting, the UNIREN repeated its 10% increase proposal and proposed to bring forward the comprehensive rate review process so that the new rate charts may become effective during 2006. TGS stated the features of the original proposal that, in its opinion, should be improved and that it was willing to continue negotiating its terms. In June 2005, TGS received a new proposal from the UNIREN, which followed the principles of the previous one. However, beyond the initial 10% increase in tariffs, it also established that the new rate charts deriving from the comprehensive review process would become effective earlier, on August 1, 2006. In addition, the new proposal established as a new requirement that TGS and its shareholders shall decline any future claim related to the PPI rate adjustments that were not applied in 2000 and 2001. In July 2005, TGS answered such proposal and stated that the original 10% increase was not sufficient and that it agreed not to make any claims and file no appeals nor actions in an arbitration tribunal or an administrative or judicial court in Argentina or abroad, provided that a renegotiation agreement is reached.

On May, 2005, Transener and Transba signed letters of understanding with the UNIREN, which included the terms and conditions that form the bases for the comprehensive renegotiation agreement regarding both companies concession contracts. The stipulations under the letters of understanding are subject to the compliance with various procedures, including the review and approval by the Congress´ Bicameral Monitoring Commission and the approval by the Executive Branch.

In June 2005, Edesur signed a letter of understanding with the UNIREN as part of the renegotiation process of the concession contract. Among other issues, the letter of understanding contained the terms and conditions that, after fulfilling the other regulatory procedures, will be the basis for the concession contract comprehensive renegotiation agreement. The document set forth a temporary rate system that will become effective as from November 1, 2005, with an increase in the service average rate not exceeding 15% (applicable to the whole rate category except for residential rates), submitted the payment of dividends to the approval of authorities during the effective term of such temporary system, established terms to cancel the penalties applied by the ENRE and included other aspects related to investments and service quality. In addition, a comprehensive rate review was scheduled to be performed between the signature of the letter of understanding and September 30, 2006, by which a new rate system will be established to become effective as from November 1, 2006, for the following five years.

It is not possible to predict the future development of the rates and concession agreements renegotiation processes nor their effects on such companies results of operations and financial position.

These circumstances raise substantial doubt about the ability of CIESA to continue as going concern. CIESA has prepared its financial statements assuming that it will continue as going concern. Therefore, those financial statements do not include any adjustment that might result from the outcome of these uncertainties.

As of June 30, 2005, the book value of the equity interests in CIESA, TGS and Citelec amounts to 249, 163 and 141 (net of adjustments made to adapt Ciesa and TGS s valuation methods to those of the Company of 41 and 11), respectively. The book value of the equity interest in Citelec was exposed net of a depreciation allowance, to its recoverable value of 140. As of December 31, 2004, the valuation of the equity interests in CIESA, TGS and Citelec amounted to 206, 151 and 116 (net of adjustments made to adapt Ciesa and TGS s valuation methods to those of the Company of 43 and 11, respectively).

The book value of such equity interests does not exceed their recoverable value. The estimated recoverable values of CIESA, TGS and Citelec are subject to the above described uncertainties. The extension of the rate renegotiation process with the Argentine Government implies the consideration and analysis of multiple future scenarios, estimating their probability of occurrence in an extremely subjective manner, which restrict the appropriateness and reliability of the current value that may be determined. Consequently, within such context, the Company gave priority to the net realization value to determine the recoverable value. In that sense, the listed value of TGS s and Transener s shares represents an objectively measurable standard of the net realization value of the abovementioned equity interests.

Expansion of TGS s gas transportation system

According with the creation by the Argentine Government of a framework for the creation of trust funds for financing expansions to the natural gas transportation system, in June 2004, TGS submitted to the Energy Department a project to expand the transportation capacity of the San Martín gas pipeline by about 2.9 million cubic meters per day. The project involves the construction of about 500 km of pipeline and a 30,000 HP increase in compression capacity obtained by building a new compression plant and boosting the power of some compression units.

On November 3, 2004, TGS, the Argentine Government, Petrobras and Nación Fideicomisos S.A., among others, executed an agreement to perform the expansion works, and, for this purpose, it was agreed to enter into a financial trust agreement. Such agreement stipulated that Petrobras will become the financing leader and will commit, under certain conditions, to requesting Banco Nacional de Desenvolvimento Económico e Social de Brasil (BNDES) or any other institution to be appointed by Petrobras to grant and document a loan to finance works for an amount of at least one hundred forty-two million US dollars and to obtaining the resources and/or, otherwise, to contributing the funds pursuant to the letter of intent, until the loan is disbursed.

Petrobras Energía will provide the funds to finance the project provisionally on account and behalf of Petrobras, up to US$ 142 millions, until the loan is granted by BNDES. In order to provide the funds, on February 25, 2005, Petrobras Energía s Board of Directors approved entering into a loan-for-consumption agreement with Petrobras Internacional Braspetro BV, a subsidiary of Petroleo Brasileiro S.A.-Petrobras, for an amount of up to US$ 142 million at an annual 5.35% interest rate payable twice a year, free of tax withholdings, for a term of up to three years. This loan can be prepaid at any time without a prepayment penalty. In consideration for Petrobras Energía s commitments under the abovementioned agreements, the trust will deliver debt securities for an equivalent value.

As of May 25, 2005 BNDES made the first payment of US$ 14 million, making effective the operation. As of June 30, 2005, the Company had contributed US$ 43 million to the trust on account and behalf of Petrobras.

TGS will be in charge of managing the project and operating and maintaining the new facilities. As of June 30, 2005, TGS carried US$ 15 million related to security deposits paid to the pipe supplier to maintain the price and delivery terms and conditions that the supplier offered to the Trust. Such security deposit will be returned to TGS by the supplier once the latter receives the payment by the Trust.

Transener S.A. s financial debt restructuring

On June 30, 2005, Transener S.A. concluded the restructuring process of its financial debt and, as of the offer maturity date, it obtained the acceptance of regular creditors representing 98.8% of the total restructured debt. The redeemed debt represented a nominal value of about US$ 450 million. As a result of the decisions made by creditors, the prorating and assignment mechanisms and further terms and conditions of the restructuring offer, Transener S.A. issued corporate bonds and made payments in cash pursuant to the following conditions:

(1)

Issuance of corporate bonds at par for a nominal value of about US$ 80 million, with final maturity in December 2016, accruing interest at an annual 3% rate until December 2007, and then increasing by 4% and 7% until the maturity term thereof.

(2)

Issuance of discount corporate bonds for a nominal value of about US$ 200 million, with final maturity in December 2015, accruing interest at an annual 9% rate until December 2008, and 10% for the remaining period.

(3)

Issuance of 76,017,610 Class B shares. At the end of the term for the holders of Transener S.A. s class C shares to exercise the preemptive right and the right to accrue, such Company will make available 8,447,500 class B shares for creditors or will deliver cash in lieu of class C" shares.

(4)

Payment in cash for an amount of about US$ 70 million.

Pursuant to the financing agreements signed in connection with the debt restructuring, Transener S.A. is required to comply with a series of restrictions including, among others, restrictions on debt issuance, new investments, sale of assets and dividend distribution.

10. Financing

The detail of debt as of June 30, 2005 and December 31, 2004, is as follows:

I.

Petrobras Energía s Global Programs of nonconvertible notes

a) US$ 2.5 billion program

The Regular Shareholders Meeting of Petrobras Energía held on April 8, 1998, approved the establishment of a global corporate bond program for up to a maximum principal amount outstanding at any time of US$ 1 billion or its equivalent in other currency. Later, the Regular and Special Shareholders Meeting held on June 20, 2002, authorized the increase of the maximum program amount outstanding at any time during the effectiveness of the program up to US$ 2.5 billion or its equivalent in other currency.

The Regular and Special Shareholders Meeting of Petrobras Energía held on July 8, 2003, extended the term of the Petrobras Energía Medium-Term Corporate Bonds Program for five years counted as from May 5, 2003, or the maximum term that may be allowed under any new regulations that might become applicable in the future.

The establishment of the Program was authorized by Certificate No. 202, dated May 4, 1998, and Certificate No. 290, dated July 3, 2002 and Certificate No. 296 dated September 16, 2003, of the CNV.

As of June 30, 2005, there remained outstanding the following classes of corporate bonds under the medium-term

global program:

-

Class B, for US$ 5 million, payable in a single installment in May 2006, at a 9% fixed annual rate.

-

Class F, for a face value of US$ 64.4 million maturing in August 2005, at a 7.875% annual rate.

-

Class G, for a face value of US$ 250 million maturing in January 2007 at a 9% annual rate.

-

Class H, for a face value of US$ 181.5 million maturing in May 2009, at a 9% annual rate.

-

Class I, for a face value of US$ 349.2 million maturing in July 2010, at a 8.125% annual rate.

-

Class N, for a face value of US$ 97 million, with principal amortized in two installments, the first equivalent to 9.9099% of nominal value settled on the same day of issuance, January 24, 2003, and the remaining due in June 2011, accruing interest at nine-month LIBOR plus 1%. As of June 30, 2005, the amount of US$ 87 million is effective in this class.

-

Class Q, for a face value of US$ 3.98 million, with two principal amortization installments: the first equivalent to 10% of the face value settled on the same day of issuance, April 25, 2003, and the remainder in April 2008, at an interest rate of 5.625%. As of June 30, 2005, as they were not exchange totally, the Company is carrying US$ 170,000 of such issue in its own portfolio, disclosed net of the nonconvertible notes.

-

Class R, for a face value of US$ 200 million, with due in October 2013, accruing interest at 9.375%.

b) US$1.2 billion program

As of June 30, 2005, under the medium-term Global Program which date for the issuance of new notes expired in June 1998, the Sixth Series is outstanding in the amount of US$ 32.6 million, the only installment of which becomes due in July 2007 and bears interest at a 8.125% fixed annual rate.

The proceeds from all issuances of the all the corporate notes under both programs, were used to refinance liabilities, increase working capital, for capital expenditures of fixed assets located in Argentina or capital contributions to affiliates.

The obligations arising out of issuances are disclosed net of the issuance discounts to be accrued. The deferred costs for such issuances are included in Prepaid expenses and interests within Other receivables account.

II. Cross default covenants

Class F, G, H, I, N, Q and R notes include cross default covenants, whereby the Trustee, as instructed by the noteholders representing at least 25% of the related outstanding capital, shall declare all the amounts owed due and payable, if any debt of the Company or its significant subsidiaries is not settled upon the maturity date, provided that those due and unpaid amounts exceed the higher of US$ 25 million or 1% of Petrobras Energía s shareholders equity upon those maturities, and that the default has not been defeated or cured within 30 days after the Company has been served notice of the default.

Certain loan agreements, include cross default covenants, whereby the Trustee or the creditor bank, as appropriate, shall declare all the amounts owed as due and payable, if any debt of the Company is not settled upon the maturity date, provided that those due and unpaid amounts exceed the amount of US$ 10 million or 1% of Petrobras Energía s

shareholders equity in relative terms, upon those maturities.

The remaining outstanding amount of the Sixth Series and Class B notes does not include cross default covenants.

III Covenants

Since the issuance of Class K and M corporate bonds as well as other medium-term credit instruments (the refinanced debt), effective as from October 2002, and while a portion of such payables remained outstanding, Petrobras Energía has been subject to the compliance with a series of restrictions and commitments that included, among others, restrictions on the payment of dividends, capital investments, granting encumbrances, incurring in a new debt, the financial debt maturity schedule and limits to the consolidated financial indebtedness level.

As from April 2005, as a result of the full redemption of the corporate bonds that formed part of the debt refinanced, the mentioned restrictions and commitments no longer apply.

IV. Financing of the Genelba Electric Power Generation Plant

The investment was financed through loans granted by international banks, which are being semiannually repaid from June 1998 over a period of 10 years. They may be settled in advance at any time, at Petrobras Energía s discretion, and the remainder with the use of cash inflows. The loans may be prepaid at any time at Petrobras Energía s option. As of June 30, 2005, the amounts outstanding from the financing of the plant were US$ 28 million, of which US$ 15 million is related to a contract which contains restrictive covenants, including restriction on selling or leasing more than 40% of the plant during the year in which the debt is outstanding.

V. Loan from International Finance Corporation (IFC) to Innova S.A. (Innova)

In October 1999, Innova executed a long-term loan agreement for US$ 80 million comprising tranches A and B of US$ 20 million and US$ 60 million, respectively. Amortization of principal will be as from June 2002, in 16 and 12 semiannually installments for tranches A and B, respectively. The applicable interest rate is LIBOR plus 3.25%.

The loan was secured by a mortgage on certain real property owned by Innova. In addition, unless certain conditions indicated in the loan agreement occur, Petrobras Energía guarantees its timely payment.

The IFC financing was completed by issuing preferred stock in the amount of US$ 5 million.

Certain covenants in the agreement prescribe restrictions in relation to dividends, investments in property, plant and equipment, restrictions upon the transfer, sale or rental of an important part of the assets, incurring long-term debt and providing mortgages. In addition, Petrobras Energía directly or through its subsidiaries, is committed to retain no less than a 51% participating interest in Innova s common stock.

The funds provided by the IFC were used to construct styrene and polystyrene plants in the Brazilian State of Rio Grande do Sul.

VI. Payable for purchase of 10% interest of Distrilec

In June 1999, the Company, through its subsidiary Petrobras Bolivia International S.A., or PBI, acquired a 10% interest in Distrilec for an amount of US$ 101 million. The related payment was documented through a promissory note issued by PBI and secured by Petrobras Energía for the benefit of Entergy, with a maturity date in June 2002, at a 7% annual fixed rate. The note was later transferred to a financial trust located in Argentina through a securitized transaction, whereby bonds denominated in US dollars were issued and placed among Argentine investors.

Upon the promissory note maturity date, the Company and holders of trust certificates represented contrary interpretations with respect to the application to that debt of measures related to the translation into pesos (dedollarization) of payable obligations stated in foreign currencies issued under the Public Emergency and Foreign Exchange System Reform Law. At the request of the trustee, the Company started a mediation process to reach an agreement that documents the debt payment. This agreement expired without fulfilling its terms and conditions.

In November 2002, PBI irrevocably transfered all its rights and duties by virtue of the promissory note issuance to Petrobras Energía. Afterwards, on January 8, 2003, Petrobras Energía launched a Class N corporate bonds swap offer for a face value amounting up to US$ 101,000,000 maturing in 2011, for all and each of the debt securities, the Company issued class N corporate bonds amounting to a face value of US$ 97 million (see Note 10.I.a). Given that the terms and conditions of the new debt instruments differ substantially form the original as regards both maturity and financial expense, upon refinancing, the Company recognized a new liability that has been measured in accounts

on the basis of the best estimate of the discounted value of total amount payable. On such a basis, the original liability was reduced to US$ 77 million, giving rise to a gain of 34.

On April 16, 2003, the Company launched an offer to exchange every and all trust debt securities that had not been entered into the previous exchange for Class Q Corporate Bonds for an aggregate face value of up to US$ 4 million and maturing in 2008. Due to the offers received, the Company made Class Q bonds for a nominal value of US$ 3.98 million (see Note 10.I.a).

VII. Loan agreement signed between Petrobras Energía Venezuela S.A. and the IFC

In July 2003, Petrobras Energía Venezuela S.A., a wholly-owned subsidiary of Petrobras Energía, executed loan agreements in the amount of US$ 105 million with the IFC.

The loan is primarily composed of a Tranche A for US$ 80 million, maturing in a term of eights years and a half, including one grace period, payable semiannually and at an annual LIBO nominal rate + 4.75%, and a Tranche C for US$ 25 million, maturing in a term of 9 years and a half, at an annual LIBO nominal rate + 1.50%.

The funds obtained from this loan were used in executing the investment plan related to the development of the Acema, Mata, La Concepción and Oritupano Leona areas, in Venezuela.

VIII. Edesur Indebtedness

Certain loan agreements entered into by Edesur S.A. contain cross-default covenants, whereby creditor banks are entitled to declare all amounts owed to be due and payable if any debt item is not paid when due and the outstanding past due amounts exceed the respective amounts set forth in the agreements.

Some of the abovementioned agreements include cross-acceleration covenants, whereby the creditor banks are entitled to declare all amounts owed to be due and payable in the event of Edesur S.A. being subject to the acceleration of any other debt in circumstances provided for in such agreements.

Additionally, loan agreements do not establish any type of guarantee.

On October 5, 2004, Edesur under its medium-term debt-securities issuance program issued Corporate Notes denominated in pesos for a value of 120 in two series: Class 5, with a term of 18 months, and Class 6, with a term of 3 years.

The Class 5 corporate notes were issued for a nominal value of 40 at an issuance price of 97.32% with a fixed coupon of 8.5% per annum, while Class 6 was issued for a face value of 80, accruing interest at a variable rate calculated on the basis of a reference rate published by the Central Bank of Argentina, with a minimum of 4% per annum, plus a differential margin of 3% per annum.

Edesur will apply the net proceeds from this issuance to refinancing its financial liabilities.

IX. CIESA and TGS indebtedness

As of June 30, 2005, CIESA s financial debt relates to the issuance of corporate bonds with a par value of up to US$ 220 million and with original maturity in April 2002.

In the wake of the new Argentine macroeconomic situation, as from the enactment of Public Emergency Law (see Note 9.III), CIESA did not pay the principal and the last interest installment upon maturity or cap and collar agreements. Consequently, CIESA´s indebtedness included pursuant to the proportional consolidation, has been disclosed in the Short-term debt line.

CIESA is currently negotiating with the creditors to agree to extend the term to fulfill the related payment. No pledges have been made by CIESA s shareholders to provide financial aid. In order to create the flexibility necessary to make progress in restructuring CIESA's financial debt, CIESA's shareholders executed, in April 2004, the Framework Agreement described in Note 9.I b).

On February 24, 2003, TGS started a global rescheduling process of US$ 1.027 billion of its current financial indebtedness, which represents almost the entire debt. As TGS could not meet this required majority, on May 14, 2003, it withdrew the referred rescheduling proposal and simultaneously announced the postponement of the interest payment.

On October 1, 2004, TGS made a new restructuring proposal covering US$ 1.018 billion of its financial debt, which ended on November 12, 2004. By such date the debt presented for swapping amounted to US$ 1.016 billion, which represents about 99.76% of TGS's financial debt. The creditors that accepted the proposal received (i) a cash payment equivalent to 11% of the outstanding principal amount, (ii) new debt securities for the remaining 89% of the outstanding principal amount, structured into two tranches, A and B, with amortization terms of 6 and 9 years respectively, accruing interest rates ranging from 5.3% to 10 %, and (iii) a cash payment of the accrued and outstanding interest on the previous debt, calculated at the interest rate stipulated by contract for each instrument up to December 31, 2003, and at an annual rate of 6.18% from January 1 to December 15, 2004. The interest payment was considered full settlement of any claim for interest owed, including punitive interest.

Pursuant to the financing agreements executed in connection with the debt restructuring, TGS is required to comply with a series of restrictions, which include, among others, restrictions on debt issuance, new investments, sale of assets, payment of technical assistance fees and dividend distribution.

The new debt has an early amortization clause, the application and amount of which, as the case may be, depends on the consolidated debt coefficient, the liquidity level and certain payment to be made subsequently by TGS.

X. Detail of long-term debt

Long-term debt as of June 30, 2005, is made up as follows:

The maturities of long-term debt as of June 30, 2005, are as follows:

11. Income tax and deferred tax

The Company s provision for income tax was comprised of the following:

(1)

525 are presented in the non-current Other receivables line and 204 are presented in the non-current Payroll and social security taxes line.

(2)

600 are presented in the non-current Other receivables line and 117 are presented in the non-current Payroll and social security taxes line.

As of June 30, 2005, the Company keeps booked a 1,120 allowance on tax loss carryforwards because, as of such date, it is not possible to guarantee that future taxable income will be sufficient to absorb net temporary differences and accumulated tax loss carryforwards.

As of December 31, 2004, taking into account the profitability expectations arising from the Company s business plan, the latter partially reversed the allowance it had booked, recognizing a gain of 268. In the analysis, certain key issues were taken into account, such as high and sustained price expectations for commodities and relative stability in the main macroeconomic variables, including the first Argentine Government definitions as regards power and gas prices

recovery.

Prospectively, Company s Management will analyze the feasibility of recovering the tax loss carryforwards.

The reconciliation of tax provision at the statutory rate of 35% to the tax provision, (before taxes) and the minority interest in the subsidiary s earnings (losses), is as follows:

Tax loss carryforward and deferred losses include the following items and may be used through the dates indicated below:

12. Contingencies, allowances and environmental matters

The movements of reserves for contingencies and allowances were as follows:

a)

Environmental matters

The Company is subject to extensive environmental regulation at both the federal and local levels in Argentina and in other countries in which it operates. Petrobras Energía Participaciones´s management believes that its current operations are in material compliance with applicable environmental requirements, as these are currently interpreted and enforced, including sanitation commitments assumed. The Company and its subsidiaries have not incurred any

material pollution liabilities as a result of their operations to date. Petrobras Energía Participaciones undertakes environmental impact studies for new projects and investments and, to date, environmental requirements and restrictions imposed on such new projects have not had material adverse impact on Petrobras Participaciones s business. There are no significant lawsuits or administrative proceedings against the Company related to environmental issues.

The Company conducts its business considering excellence in Safety, Health and Environmental matters as a cornerstone of its corporate strategy.

With its Quality Assurance, Safety, Health and Environmental Protection policies, the Company commits itself to ensuring the quality of its products and services, preserving the safety and health of its personnel, contractors and neighboring communities and protecting the environment.

The Company has been a pioneer in environmental practices certification (ISO 14001) both in Argentina and in the oil industry worldwide. The Company has over 90 Environment (ISO 14001), Quality (ISO 9001) and Security & Occupational Health (OHSAS 18001/IRAM 3800) certifications with regular external audit procedures held by third parties audit firms.

During fiscal year 2003, the Company engaged the services of an international consulting company to perform an environmental audit of its operations. Such audit s final report identified a set of actions necessary to put into fully practice the standards of its Occupational Health and Safety and Environmental Protection Policy. On such basis, the Company will make investments amounting to about US$ 23 million, which include improvements in its prevention systems and production facilities. In addition, the Company will implement a variety of corrective and remediation measures.

In April 2004, the Company launched its new Quality, Safety, Health and Environmental Protection policies (designated by the Spanish initials SMS), each of which mark a step forward from the standards in effect until then. The new SMS policies incorporate leading edge concepts such as eco-efficiency, and operations sustainability and life cycle. Within this context, during 2004, an environmental study supplementing the 2003 environmental audit was carried out. Under the standards of SMS s new policy, the study permitted to identify the needs to apply supplementary remediation measures.

b)

TGS stamp tax

As of the date of issuance of these financial statements, TGS is party to a claim by the Tax Bureau of the Province of Río Negro for stamp tax purportedly due on the contracts and service provision offers between TGS and its customers. The total amount claimed is 438 (including fines and interest calculated as of the date of each claim).

TGS filed adminstrative appeals before the respective Provincial Tax Bureau. Subsequently, TGS petitioned the Supreme Court of Justice of the Nation (SCJN) for a declaratory judgments on the legitimacy of the provincial claims. The SCJN granted the precautionary measure requested and ordered to abstain from any acts aiming to collect such stamp tax until such court has ruled on the basic issue. As of the date of these financial statements, the Río Negro Provincial Tax Bureau has rejected, in the administrative proceedings, the appeals filed; therefore, TGS is awaiting the final decision by the SCJN.

Nevertheless, TGS Management considers that the contracts and transportation offers are not subject to the tax in question. Should such instruments eventually be considered taxable, TGS understands that such event should be considered as a change in the interpretation of a tax rule and, hence, the effects should be passed on to the rates, as provided for in the regulations specifically applicable to such cases. The ENARGAS has stated that the provincial stamp tax claims lack legal basis and, therefore, are illegitimate.

Similar claims have been made by the Tax Bureaus of the provinces of the Santa Cruz, Chubut, La Pampa and Neuquén, and the latter also claims stamp tax on the Share Transfer Agreement executed when the former federal-government-owned company Gas del Estado was privatized and on the Technical Assistance Agreement.

In April 2004, the SCJN declared the tax claim by the province of Santa Cruz to be inappropriate and inapplicable, thus laying an important court precedent for the resolution of the claims made by the other provinces, which are similar to that made by the province of Santa Cruz.

On June 7, 2004, the Neuquén Provincial Executive issued Decrees Nos. 1,133 and 1,134, which accept the appeals by TGS regarding the Gas del Estado transfer agreement and the Technical Assistance Contract, and thus the provincial tax authorities laid their claims to rest in such cases. Both Decrees have been incorporated into the file of the case pending before the SCJN.

The Chubut and La Pampa Provincial Tax Bureaus withdrew its claim, in view of the SCJN judgment.

Although no assurance can be given, TGS Management believes it has strong arguments for defense against the claims mentioned above and that any obligation that might eventually be assessed will not have significant adverse effects on the Company s results of operations or financial position.

c)

Fixed charges for connection with Transener

The ENRE authorized, by Resolution No. 1650/98, an increase in the connection charge, in full compliance with effective rules and regulations. Many generation companies filed administrative appeals before the Energy Department seeking that such increase be reversed; the Energy Department rejected such appeals. Only Central Térmica Güemes S.A. filed an appeal directly with the Federal Administrative-Contentious Court of Appeals, which decided in favor of the request. Transener and the ENRE filed an extraordinary appeal before the Supreme Court of Justice of the Nation. On June 27, 2003, the Court of Appeals admitted the motion for appeal before the Supreme Court. The record of proceedings was remitted to the Supreme Court of Justice of the Nation. The Supreme Court remitted the record of proceedings to the Procurador (Head Legal Counsel for the Government), whose office is currently analyzing such proceedings.

As reported by the legal counsel, Transener considers that the final outcome of this issue will not give rise to any significant obligation. Therefore, no provisions have been booked in this regard.

d)

Tax issues

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The AFIP filed a claim to collect the tax on the transfer of fuels, which, according to tax authorities, would be levied on the import of benzene without considering its petrochemical destination. The total amount claimed, including interest, is 116. Company Management and its legal counsel consider that there are legal reasons to sustain that such claim is not valid, and filed a brief challenging such validity. Company Management based its position on the law regulating such tax, which sets forth exemptions for transfers of fuel, for a valuable consideration or gratuitously, having as destination the chemical and petrochemical industries, notwithstanding whether it is purchased locally, imported or produced by the Company itself.

The Company holds interpretative differences with the AFIP (Argentine Federal Public Revenues Administration), provincial tax authorities and foreign tax authorities about taxes applicable on oil and gas activity. Company Management and its legal advisors estimate that the outcome of such differences will not have significant adverse effects on the Company's financial position or results of operations

e)

Value-added tax on operations in Ecuador

As of June 30, 2005, the Company -as is the case of many other companies producing and exporting oil in Ecuador- has a tax credit from Ecuadorean tax authorities ("SRI"), which is based on the VAT to be reimbursed upon exporting oil. The SRI has issued notice that it will not make such reimbursement because it interprets that such item had already been considered when determining the parties respective shares of the oil produced. Such resolution has been appealed before the Tax Court, which to date has not issued any ruling in this respect. On July 1, 2004, an international arbitration award was passed in favor of one of the oil-producing and exporting companies in dispute with the Ecuadorean Government in this connection. The international arbitration award established that the VAT in question should be reimbursed. The Ecuadorean Government has objected such arbitration and considered it void. On August 11, 2004, the Ecuadorean National Congress passed a VAT interpretation law, which provides that the reimbursement of such tax is not applicable to the oil industry. According to the Company s management and legal advisors, it is likely that such VAT interpretation law will be declared unconstitutional; in such a case, the VAT reimbursement sought by the Company would probably take place.

In the opinion of its legal advisors, the Company is entitled to the VAT reimbursement, whether by SRI or by a renegotiation of its share of the oil produced, given that, when the respective shares of oil production were stipulated, the exports of goods and the rendering of services were not subject to VAT. Should the final outcome be adverse to the Company, the value of the VAT accounts receivable should be booked under PP&E in an amount of about US$ 7 million, and under losses, in an amount of about US$ 11 million.

13. Contractual commitments, warranty bond, suretyships and guarantees granted

The warranty bonds, suretyships and guarantees as of June 30, 2005, which are not disclosed in the remaining notes, amount to 42.

In addition, as of December 31, 2004, the Company had the following contractual commitments:

	Total (units)	Total (Millions of Pesos)	Until
Purchase Commitments			
Ship or pay agreement with OCP (in millions of bbls.) (1)	389	2,413	2018
Long term service agreement	-	88	2007
Bolivian gas transportation agreement (in MMm3)	5,213	180	2017
Ethylene (in thousands of tons)	337	714	2015

Benzene (in thousands of tons)	930	2,425	2015
Sales commitments			
Natural gas (in MMm3)	19,729	1,928	2019
Crude oil (in millions of barrels)	4	370	2020
Styrene (in thousands of tons)	52	151	2007
Electric power (in MWh)	587,291	26	2007
LPG (in thousands of tons)	32	31	2005

(1) Net of transportation capacity sold to third parties (see Note 6)

14. Contribution, benefit pension and stock option plans of Petrobras Energía

a)

Contribution and benefit pension plans

•

Defined contribution plan:

The Company sponsors a defined contribution plan that applies to all employees of Petrobras Energía with salaries above a specified level. Through this plan, the Company matches contributions by employees which are in excess of legally required amounts. Such contributions are charged to expenses in the year they are paid. Due to the significant changes in the Argentine economic scenario and the uncertainties posed by the Argentine economic conditions, as from January 2002, Petrobras Energía has suspended, for the moment, this benefit. Such benefit will be reestablished as soon as there is a social security savings means considered adequate to such end.

•

Defined benefit pension plan:

All employees of the Company, that take part without interruption in the defined contribution plan, that have joined the Company prior to May 31, 1995, and that qualify subject to certain years of service, are participants in this plan. The employee benefit is based on the last computable salary and years of service of the employee.

The plan is of a supplemental nature, that is to say the benefit to the employee is represented by the amount determined under the provisions of this plan, after deducting benefits payable to the employee under the contribution plan and the public retirement system, in order that the aggregate benefit to each employee from the three plans equals the one stipulated in the plan. Once retired, the employees are entitled to a fixed monthly payment.

The plan calls for a contribution to a fund exclusively by the Company and without any contribution by the employees, provided that they should make contributions to the retirement system for their whole salary. The Company determines the liability related to this plan by applying actuarial calculation methods. Assets of the fund were contributed to a trust. The goals with respect to asset investment are: (i) the preservation of capital in US dollars, (ii) the maintenance of high levels of liquidity, and (iii) the attainment of the highest yields possible on a 30-days basis. They are invested mainly in bonds, corporate bonds, mutual funds, and certificates of deposits. The Bank of New York is the trustee and Watson Wyatt is the managing agent. As of June 30, 2005, the most relevant actuarial information on the defined-benefits pension plan is as follows:

According to its By-laws, the Company contributes to the fund through a contribution proposed to the Shareholders' meeting by the Board of Directors and can increase up to a maximum of 1.5% of the net income for the year. As of December 31, 2004 and 2003, the Board of Directors did not make use of this power.

Should there be an excess (duly certified by an independent actuary) of the funds under the trust agreement to be used to settle the benefits granted by the plan, the Company will be entitled to make a choice and use it, in which case it would have to notify the trustee thereof.

Petrobras Energía admitted the advanced collection of this plan by beneficiaries should they expressly state so. All the individuals that exercised the abovementioned option before February 13, 2003, have lost their rights to collect their retirement supplement, thus they are no longer plan beneficiaries.

b) Stock option plan

The Board of Directors of Petrobras Energía approved the establishment of a long-term incentive program for the purpose of aligning the interests of officers and shareholders.

As part of this program, the Board of Directors of Petrobras Energía approved the Plans for year 2001 (2001 Plan) and for year 2000 (2000 Plan), focused on senior officers of Petrobras Energía. Both plans consist in granting the right to exercise certain options to receive Petrobras Participaciones shares or the cash equivalent at market, as described below:

<u>2001 Plan</u>

i.

5,364,125 options to receive the value arising from the positive difference between the average listed price of Petrobras Participaciones shares on the New York Stock Exchange during the 20 days prior to exercising the option and 1.64 Argentine pesos per share, for such number of shares (appreciation rights).

Regarding these options, 1,609,237 options may be exercised as from March 5, 2002, 1,609,238 options may be exercised as from March 5, 2003, and 2,145,650 options as from March 5, 2004. As of June 30, 2005 the exercised options amount 3,972,600, almost integrally in cash.

*

ii. 596,014 options to receive the same number of shares at no cost for the beneficiary. These options may be exercised as from March 5, 2005 (full value). As of June 30, 2005 the exercised options amount 305,501, almost integrally in cash.

Beneficiaries of this plan will be entitled to exercise their rights until March 5, 2007, from the dates mentioned above.

2000 Plan

i.

3,171,137 options to receive the value arising from the positive difference between the average listed price of Petrobras Participaciones shares on the New York Stock Exchange during the 20 days prior to exercising the option and 1.48 Argentine pesos per share, for such number of shares (appreciation rights).

Regarding these options, 951,341 options may be exercised as from May 29, 2001, 951,341 options may be exercised as from May 29, 2002, and 1,268,455 options as from May 29, 2003. As of June 30, 2005 the exercised options amount 2,769,330, almost integrally in cash.

ii.

352,347 options to receive the same number of shares at no cost for the beneficiary. These options may be exercised as from May 29, 2004 (full value). As of June 30, 2005 the exercised options amount 272,189, almost integrally in cash.

Beneficiaries of this plan will be entitled to exercise their rights until May 29, 2006, from the dates mentioned above.

The cost of such benefit is allocated on proportional basis to each year within the vesting years and adjusted in accordance with the listed price of the share. According of 7 and 4 were charged to operating expenses for the six-month periods ended June 30, 2005 and 2004, respectively.

15. Capital stock and restrictions on unappropriated retained earnings

As of June 30, 2005 the Company's capital stock totaled 2,132 fully subscribed, issued, paid-in and registered. Changes in capital stock in the last three fiscal years:

December, 31

	2004	2003	2002
Common stock face value $	1	1	1
Class B: 1 vote per share	2,132	2,132	2,132

According to Law No. 19,550 and its amendments, 5% of net income for the year must be appropriated to the legal reserve, until such reserve reaches 20% of capital stock. Based on the legal reserve decrease by 37, which was approved by the regular shareholders meeting held on April 4, 2003, the Company shall not allocate income until the reimbursement thereof. The Regular Shareholders Meeting of March 31, 2005 raised the legal reserve in an amount of 34.

Under Law No. 25,063, the dividends to be distributed, either in cash or in kind, in excess of the taxable income accumulated as of the year-end immediately prior to the respective payment or distribution date, will be subject to a 35% income tax withholding as single and definitive payment. For this purpose, Taxable income is deemed to be that resulting from adding up the income as determined under the general provisions of the income tax law, and the dividends or income obtained from other corporations and limited liability companies not taken into account in determining the former for the same tax period or periods.

Since January 26, 2000, the Company Class B shares are listed on the Buenos Aires Stock Exchange and on the New York Stock Exchange.

16. Other receivables, other liabilities, other operating income, and other expenses, net.

(a)

To ensure completion of works within the term of the concession and a profitability to make the investment viable, the Energy Department granted the Company the amount of 25. For the purpose of determining whether or not such amount should be repaid, a support price system was implemented for the electric power to be generated by the Complex and sold on the Wholesale Electric Power Market. Such support price system will be applied over a ten-year term, which will be divided into two consecutive five-year periods, as from December 1999. In order to implement such system, an Annual Monomial Support Price (AMSP) was set in the amounts of $/Kwh 0.021 and $/Kwh 0.023 for the first and second period, respectively. In order to determine the amount to be reimbursed, every year of the above mentioned term, the difference between the Annual Average Monomial Price of the Complex bars generation, and the aforesaid AMSP, valued in terms of the electric power generated by the Complex during such year will be determined. Owing to the selling prices set for the energy generated by the Complex, and the future prices estimated ,

considering that it implies profitability reinsurance, as of June 30, 2005 the Company accrued a profit of 20.

(a)

Tax benefits enjoyed by Innova S.A. consisting in a partial reduction of certain taxes in accordance with a program of incentives that the Brazilian state of Rio Grande do Sul provides to companies located there.

17. Balances and transactions with related companies

The outstanding balances from transactions with related companies as of June 30, 2005 and December 31, 2004, are as follows:

The main transactions with affiliates for the six-month periods ended June 30, 2005 and 2004, are as follows:

18. Business segment and geographic consolidated information

Petrobras Participaciones's business is mainly concentrated in the energy sector, especially through its activities in oil and gas exploration and production, hydrocarbons marketing and transportation, refining, petrochemicals and electricity. According to this, the identified business segments are as follows:

a)

The Oil and Gas Exploration and Production segment is composed of Petrobras Energía s directly held oil and gas operations.

b)

The Refining segment includes Petrobras Energía s operations in Refinería San Lorenzo and Bahía Blanca, its gas stations and its interests in Refinería del Norte S.A. and Empresa Boliviana de Refinación S.A.

c)

The Petrochemical segment includes Petrobras Energía s operations in PASA, and its interests in Innova S.A. and Petroquímica Cuyo S.A.

d)

The Hydrocarbons Marketing and Transportation segment mainly includes the sale of gas produced in Argentina and of the liquids obtained from gas processing, together with the gas and LPG brokerage service activities, and its interest in Transportadora de Gas del Sur S.A., Oleoductos del Valle S.A. and Oleoducto de Crudos Pesados Ltd.

e)

The Electricity segment includes Petrobras Energía´s operations in the Genelba plant and Pichi Picún Leufú Hydroelectric Complex, and its interest in Edesur S.A., Transener S.A., Enecor S.A., Yacylec S.A. and Hidroneuquén S.A.

Assets and results of operations related to the Central Services Structure, those not attributable to any given business segment, discontinued operations and intercompany eliminations are all disclosed together.

The applicable valuation methods to report business segment information are those described in Note 4 to these financial statements. The inter-segments transaction prices are made at market value.

The following information shows total assets, total liabilities and net income (loss) for each of the business segments identified by the Company's management:

The following information shows total assets and net sales by geographic area.

19. Controlling Group

Petróleo Brasileiro S.A. PETROBRAS, through Petrobras Participaciones, S.L., a wholly-owned subsidiary, is the controlling shareholder. As of June 30, 2005 Petrobras Participaciones S.L. owns 58.6% of Petrobras Energía Participaciones s capital stock.

Petrobras is a Brazilian company, whose business is concentrated on exploration, production, refining, sale and transportation of oil and its byproducts in Brazil and abroad.

20. Other consolidated information

The following tables present additional consolidated financial statement disclosures required under Argentine GAAP.

a)

Property, plant and equipment.

b)

Equity in affiliates

c)

Costs of sales.

d)

Foreign currency assets and liabilities.

e)

Consolidated detail of expenses incurred and depreciation.

f)

Information about ownership in subsidiaries and affiliates.

g)

Oil and gas areas and participation in joint ventures.

h)

Combined joint ventures and consortia assets, liabilities and results.

a)

Property, plant and equipment as of June 30, 2005

(Stated in millions of Argentine Pesos - See Note 2.c)

b) Equity in affiliates as of June 30, 2005 and December 31, 2004

(Stated in millions of Argentine Pesos - See Note 2.c)

c) Costs of sales for the six-month periods ended June 30, 2005 and 2004

(Stated in millions of Argentine Pesos - See Note 2.c)

d) Foreign currency assets and liabilities as of June 30, 2005 and December 31, 2004

(Stated in millions of Argentine Pesos - See Note 2.c)

US$

Millions of American Dollars

BS

Millions of Bolivares

RS

Millions of Reales

Sol

Millions of Peruvian Soles

Eu

Millions of Euros

e) Consolidated detail of expenses incurred and depreciation for the six-month periods ended June 30, 2005 and 2004

(Stated in millions of Argentine Pesos - See Note 2.c)

f) Information about ownership in subsidiaries and affiliates as of June 30, 2005

g) Oil and gas areas and participation in joint-ventures as of June 30, 2005

h) Combined joint-ventures and consortia assets and liabilities as of June 30, 2005 and December 31, 2004 and results for the six-month periods ended June 30, 2005 and 2004.

(Stated in millions of Argentine Pesos - See Note 2.c)

SIGNATURES

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.

PETROBRAS ENERGÍA PARTICIPACIONES S.A.

Date: 09/02/2005

By: /s/ Daniel Casal

By: /s/ Luis M. Sas

Name: Daniel Casal

Name: Luis M. Sas

Title: Attorney

Title: Attorney