

*Financial Statements*

*BNDES Participações S.A. -  
BNDESPAR*

*December 31, 2005 and 2004  
with Report of Independent Auditors*

**BNDES PARTICIPAÇÕES S.A. – BNDESPAR**

**FINANCIAL STATEMENTS**

December 31, 2005 and 2004

Contents

Report of Independent Auditors .....	1
Audited Financial Statements	
Balance Sheets .....	3
Statements of Income .....	5
Statements of Shareholders' Equity .....	6
Statements of Changes in Cash Position .....	9
Notes to Financial Statements .....	10

## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors and Shareholders  
**BNDES Participações S.A. – BNDESPAR**

We have audited the accompanying balance sheets of BNDES Participações S.A. – BNDESPAR as of December 31, 2005 and 2004 and the related statements of income, shareholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of certain associated companies in which BNDES Participações S.A. – BNDESPAR holds investments of R\$4,083,668 thousand and whose net income determined by the equity method amounted to R\$273,745 thousand at December 31, 2005, were reviewed by other independent auditors. Reports provided to us by those auditors do not include any qualification that might significantly affect the financial position or net income of BNDES Participações S.A. – BNDESPAR, and our opinion as regards such investments is solely based on the report of those independent auditors.

Our audits were conducted in accordance with auditing standards generally accepted in Brazil and comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company; (b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and (c) an assessment of the accounting practices used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

In our opinion, based on our audits and the report of the other independent auditors, the financial statements referred to above present fairly, in all material respects, the financial position of BNDES Participações S.A. – BNDESPAR at December 31, 2005 and 2004, and the results of its operations, changes in its shareholders' equity and changes in its cash position for the years then ended, in accordance with accounting practices adopted in Brazil.

Rio de Janeiro, January 31, 2006

ERNST & YOUNG  
Auditores Independentes S/S  
CRC-2SP 015.199/O-6 - F - RJ

Luiz Carlos Nannini  
Accountant CRC-1SP 171.638/O-7 – S – RJ

Fernando Alberto S. de Magalhães  
Accountant CRC-1SP 133.169/O-0 – S – RJ

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**BALANCE SHEETS  
DECEMBER 31, 2005 AND 2004  
(In thousands of reais)**

	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	5,429,069	5,404,661
<b>AVAILABLE FUNDS</b>	9,314	2,762
<b>MARKETABLE SECURITIES</b>	3,214,941	3,326,534
Banco do Brasil Investment Fund	1,925,322	2,591,948
Debentures	605,044	373,007
Allowance for loan losses - Debentures	(121,042)	(107,903)
Shares, membership certificates and subscription bonus	405,910	-
Quotas of mutual investment funds	399,165	469,482
Government securities	542	-
<b>OTHER RECEIVABLES</b>	2,204,500	2,075,051
Installment sale of securities	1,795,693	1,545,711
Allowance for loan losses - installment sale of securities	(81,962)	(72,107)
Dividends and interest on shareholders' equity receivable	147,268	219,574
Deferred tax credits	48,302	39,338
Recoverable taxes and contributions and prepayments	282,976	297,445
Sundry	12,223	45,090
<b>OTHER ASSETS</b>	314	314
<b>NON-CURRENT ASSETS</b>	7,716,701	8,773,216
<b>MARKETABLE SECURITIES</b>	4,278,481	4,955,574
Debentures	5,022,411	5,600,653
Allowance for loan losses - Debentures	(745,557)	(647,919)
Government securities	1,627	2,840
<b>OTHER RECEIVABLES</b>	3,438,220	3,817,642
Installment sale of securities	2,912,400	3,680,142
Allowance for loan losses - installment sale of securities	(132,932)	(171,678)
Deferred tax credits	647,957	287,705
Tax incentives	10,795	21,473
<b>PERMANENT ASSETS</b>	14,174,795	14,528,370
<b>INVESTMENTS</b>	14,174,795	14,528,370
Investments in affiliates	7,721,193	7,473,665
Other equity interests	6,441,346	7,041,915
Other investments	12,256	12,790
<b>TOTAL ASSETS</b>	27,320,565	28,706,247

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR****BALANCE SHEETS  
DECEMBER 31, 2005 AND 2004****(In thousands of reais)**

	2005	2004
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>	3,121,493	2,677,619
<b>ONLENDING</b>	2,687,536	2,413,828
BNDES	2,085,194	2,069,604
National Treasury	602,342	344,224
<b>OTHER LIABILITIES</b>	433,957	263,791
Dividends and interest on shareholders' equity payable	255,228	193,273
Income and social contribution taxes	81,727	30,532
Other taxes	45,286	5,184
Provision for labor and civil contingencies	5,257	2,699
Actuarial liabilities - FAMS	2,854	1,933
Payables subject to the settlement of transactions	26,148	-
Accounts payable - FAPES	2,716	2,362
Sundry	14,741	27,808
<b>NON-CURRENT LIABILITIES</b>	12,864,973	14,980,157
<b>ONLENDING</b>	12,273,987	14,779,110
BNDES	8,099,237	11,049,448
National Treasury	4,174,750	3,729,662
<b>OTHER LIABILITIES</b>	590,986	201,047
Accounts payable - FAPES	97,631	100,704
Actuarial liabilities - FAMS	69,460	62,868
Provision for labor and civil contingencies	415,742	29,322
Deferred taxes	8,153	8,153
<b>SHAREHOLDERS' EQUITY</b>	11,334,099	11,048,471
Capital	10,404,356	10,404,356
Capital reserve	11,147	-
Revaluation reserve of investees' assets	49,196	16,514
Income reserve	94,421	40,689
Retained earnings	774,979	586,912
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	27,320,565	28,706,247

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**STATEMENTS OF INCOME FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2005  
AND YEARS ENDED DECEMBER 31, 2005 AND 2004  
(In thousands of reais)**

	2nd half of 2005	Years	
		2005	2004
<b>OPERATING REVENUES</b>	<u>2,905,249</u>	<u>4,624,637</u>	<u>3,780,470</u>
<b>EQUITY INTEREST</b>	<u>2,211,025</u>	<u>3,190,721</u>	<u>2,102,683</u>
Equity pickup	345,787	603,827	594,762
Dividends	152,382	374,918	246,816
Income from disposal of securities	1,397,229	1,510,556	495,609
Interest on shareholders' equity	315,627	701,420	765,496
<b>FINANCIAL OPERATIONS</b>	<u>694,224</u>	<u>1,433,916</u>	<u>1,677,787</u>
Revenues from credit operations	255,498	557,930	691,979
Securities	403,256	682,844	814,388
Income from mutual investment funds	25	14,196	144,613
Commissions and charges	13,840	138,279	9,751
Monetary restatement of assets - SELIC	20,668	39,033	16,769
Sundry	937	1,634	287
<b>OPERATING EXPENSES</b>	<u>(1,787,566)</u>	<u>(3,200,603)</u>	<u>(2,794,485)</u>
<b>EQUITY INTEREST</b>	<u>(466,164)</u>	<u>(578,540)</u>	<u>(385,284)</u>
Equity pickup	(120,899)	(208,563)	(275,947)
Allowance for losses on permanent investments	(322,155)	(335,361)	(86,188)
Expenses with acquisitions of equity interest	(107)	(178)	(279)
Premium amortization	(23,003)	(34,438)	(22,870)
<b>FINANCIAL OPERATIONS</b>	<u>(951,650)</u>	<u>(1,768,336)</u>	<u>(2,089,172)</u>
Financial charges on liabilities:			
. BNDES	(542,793)	(1,012,531)	(1,490,284)
. National Treasury	(377,415)	(684,802)	(572,615)
Allowance for loan losses	(31,442)	(37,548)	(9,979)
Monetary restatement of liabilities - SELIC	-	(33,455)	(16,294)
<b>ADMINISTRATIVE AND GENERAL</b>	<u>(369,752)</u>	<u>(853,727)</u>	<u>(320,029)</u>
Tax expenses	(295,242)	(359,108)	(148,468)
Payroll	(47,629)	(82,768)	(115,263)
Provision for labor and civil contingencies	(11,256)	(388,978)	(6,737)
Sundry	(15,625)	(22,873)	(49,561)
<b>OPERATING INCOME</b>	<u>1,117,683</u>	<u>1,424,034</u>	<u>985,985</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>	<u>(43,960)</u>	<u>(47,506)</u>	<u>59</u>
<b>INCOME BEFORE TAXES</b>	<u>1,073,723</u>	<u>1,376,528</u>	<u>986,044</u>
Income tax	(262,581)	(473,612)	(126,887)
Social contribution tax	(103,891)	(188,086)	(42,672)
Deferred taxes, net effect	61,726	369,215	7,886
<b>NET INCOME BEFORE EMPLOYEE PROFIT SHARING</b>	<u>768,977</u>	<u>1,084,045</u>	<u>824,371</u>
Employee profit sharing	(9,400)	(9,400)	(10,590)
<b>NET INCOME FOR THE SIX-MONTH PERIOD / YEAR</b>	<u><u>759,577</u></u>	<u><u>1,074,645</u></u>	<u><u>813,781</u></u>

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**STATEMENT OF SHAREHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2005  
(In thousands of reais)**

	Capital	Capital Reserve Tax Incentive Reserve	Revaluation Reserve of Investees' Assets	Income Reserve Legal Reserve	Retained Earnings	Total
Balances at January 1, 2005	10,404,356	-	16,514	40,689	586,912	11,048,471
Supplementary dividends . Year 2004	-	-	-	-	(579,819)	(579,819)
Tax incentive reserve . Application	-	11,147	-	-	-	11,147
Revaluation reserve in affiliates . Constitution	-	-	34,883	-	-	34,883
. Realization	-	-	(2,201)	-	2,201	-
Net income for the year	-	-	-	-	1,074,645	1,074,645
Appropriation of net income . Legal reserve	-	-	-	53,732	(53,732)	-
. Dividends	-	-	-	-	(255,228)	(255,228)
Balances at December 31, 2005	10,404,356	11,147	49,196	94,421	774,979	11,334,099
Changes for the year	-	11,147	32,682	53,732	188,067	285,628

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**STATEMENTS OF SHAREHOLDERS' EQUITY  
SIX-MONTH PERIOD ENDED DECEMBER 31, 2005  
(In thousands of reais)**

	Capital	Capital Reserve Tax Incentive Reserve	Revaluation Reserve of Investees' Assets	Income Reserve Legal Reserve	Retained Earnings	Total
Balances at July 1, 2005	10,404,356	11,147	15,979	40,689	322,696	10,794,867
Revaluation reserve in affiliates						
. Constitution	-	-	34,883	-	-	34,883
. Realization	-	-	(1,666)	-	1,666	-
Net income for the six-month period	-	-	-	-	759,577	759,577
Appropriation of net income						
. Legal reserve	-	-	-	53,732	(53,732)	-
. Dividends	-	-	-	-	(255,228)	(255,228)
Balances at December 31, 2005	10,404,356	11,147	49,196	94,421	774,979	11,334,099
Changes for the six-month period	-	-	33,217	53,732	452,283	539,232

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**STATEMENT OF SHAREHOLDERS' EQUITY**

**YEAR ENDED DECEMBER 31, 2004**

**(In thousands of reais)**

	Capital	Capital Reserve Tax Incentive Reserve	Revaluation Reserve of Investees' Assets	Income Reserve Legal Reserve	Retained Earnings	Total
Balances at January 1, 2004	9,585,470	38,357	25,536	307,399	442,276	10,399,038
Capital increase	818,886	(69,211)	-	(307,399)	(442,276)	-
Tax incentive reserve						
. Application	-	30,854	-	-	-	30,854
Revaluation reserve in affiliates						
. Realization	-	-	(7,093)	-	7,093	-
. Reversal	-	-	(1,929)	-	-	(1,929)
Net income for the year	-	-	-	-	813,781	813,781
Appropriation of net income						
. Legal reserve	-	-	-	40,689	(40,689)	-
. Dividends	-	-	-	-	(193,273)	(193,273)
Balances at December 31, 2004	10,404,356	-	16,514	40,689	586,912	11,048,471
Changes for the year	818,886	(38,357)	(9,022)	(266,710)	144,636	649,433

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**STATEMENTS OF CHANGES IN CASH POSITION  
SIX-MONTH PERIOD ENDED DECEMBER 31, 2005 AND YEARS ENDED DECEMBER 31, 2005 AND 2004  
(In thousands of reais)**

	2nd half of 2005	Years	
		2005	2004
<b>SOURCES OF FUNDS</b>	2,274,066	3,776,220	3,086,996
<b>OPERATIONS</b>	922,545	1,475,706	620,740
<b>NET INCOME FOR THE SIX-MONTH PERIOD / YEAR</b>	759,577	1,074,645	813,781
<b>ITEMS NOT AFFECTING CASH POSITION</b>	162,968	401,061	(193,041)
. Allowance for loan losses	31,442	37,548	9,979
. Provision for labor contingencies	11,256	388,978	6,737
. Allowance for losses on permanent investments	322,155	335,361	86,188
. Equity pickup	(224,888)	(395,264)	(318,815)
. Premium amortization	23,003	34,438	22,870
<b>THIRD PARTIES</b>	1,351,521	2,300,514	2,466,256
. Increase in National Treasury onlending, net	281,855	703,206	1,788,339
. Increase in other liability accounts, net	406,394	171,127	-
. Decrease in credits for installment sales of securities, net	291,236	451,321	647,063
. Decrease in permanent assets, net	372,036	413,923	-
. Decrease in other asset accounts, net	-	549,790	-
. Tax incentive investments (Shareholders' Equity)	-	11,147	30,854
<b>APPLICATIONS OF FUNDS</b>	2,276,790	3,769,668	3,084,991
. Increase in other asset accounts, net	1,184,685	-	1,574,317
. Increase in permanent assets, net	-	-	230,417
. Decrease in BNDES onlending, net	836,877	2,934,621	975,624
. Decrease in other liability accounts, net	-	-	111,360
. Supplementary dividends for the year 2004	-	579,819	-
. Declared dividends	255,228	255,228	193,273
<b>INCREASE (DECREASE) IN CASH POSITION</b>	(2,724)	6,552	2,005
<b>CHANGES IN FINANCIAL POSITION</b>			
Beginning of six-month period / year	12,038	2,762	757
End of six-month period / year	9,314	9,314	2,762
<b>INCREASE (DECREASE) IN CASH POSITION</b>	(2,724)	6,552	2,005

# **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

### **1. Operations**

#### 1.1) History

BNDESPAR is a joint-stock company, set up in 1982, wholly-owned subsidiary of National Bank for Economic and Social Development (BNDES). Its operations are based on the strategic guidelines established together with BNDES and directed towards supporting capitalization and development processes of local companies. This is made basically through minority and temporary shareholding, and through the strengthening and modernization of the securities market.

On January 13, 1998, BNDESPAR obtained with the Securities Commission (CVM) the registration of listed company, enabling the Company to trade its own securities in stock exchanges.

#### 1.2) Current objectives

- Strengthen corporate capital structure and support new investments in the economy;
- Support industrial restructuring through mergers and acquisitions;
- Stimulate the development of emerging companies;
- Support the development of small and mid-sized companies;
- Develop private equity funds industry; and
- Contribute to the development of capital markets.

### **2. Basis of Preparation and Presentation of the Financial Statements**

The financial statements of BNDESPAR have been prepared in conformity with the Brazilian Corporation Law, the standards issued by the Brazilian Securities Commission (CVM) and, when applicable, the standards established by its controlling shareholder BNDES.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

### **3. Summary of Significant Accounting Practices**

#### 3.1) Operating results

Transactions with fixed interest rate are stated at their redemption values, and revenue and expenses relating to future periods are recorded in accounts reducing the related assets and liabilities. Transactions with variable interest rates or pegged to foreign currencies are adjusted up to the balance sheet date.

Other revenues and expenses are recognized on an accrual basis, using the daily pro-rata criterion for those of a financial nature.

#### 3.2) Marketable Securities and derivative instruments

Based on Circular No. 3,068 of November 8, 2001, issued by BACEN, securities comprising the Company portfolio are classified, at the discretion of Management, into the three following categories:

- a) trading;
- b) available for sale; and
- c) held to maturity.

Since it is not a financial institution, BNDESPAR is not subject to these regulations. However, in view of the consolidation of the effect of this Circular on BNDES notes, BNDESPAR considered the same classification criteria and related accounting and tax impacts, taken into account for securities.

Amounts in investment funds are valued on a daily basis and, therefore, are already adjusted to market value, and the matching entries are recorded in the statement of income.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### **3.3) Loans – Installment sale of securities, debentures, and allowance for loan losses**

At BNDESPAR, installment sale of securities and debentures represent financial support and are classified according to management's judgment as to their risk level, taking into account the economic situation, past experience and specific risks involving the transaction, debtors and guarantors, in compliance with the standards established by Resolution No. 2,682 of BACEN, which requires periodic analysis of the portfolio and classification into nine risk levels ranging between "AA" (minimum risk) and "H" (maximum risk – loss).

Income from loans the repayments of which are past due for more than 60 days, regardless of their risk level, are recognized only when received. Operations classified under the "H" level, if in default, remain as such for up to six months, when they are charged against the existing allowance and controlled in memorandum accounts for five years, no longer appearing on the balance sheet.

Renegotiated operations remain, at least, at the same level at which they were classified. Renegotiated loans which had already been charged against the allowance for loan losses and which had been controlled in memorandum accounts are classified under the "H" level, and any gains resulting from the renegotiation are recognized as income only when received.

Since it is not a financial institution, BNDESPAR is not subject to Resolution No. 2,682. However, considering the consolidation of the effect of this regulation on BNDES (controlling shareholder) notes, BNDESPAR followed the same classification criteria for loans.

The allowance for loan losses, considered sufficient by Management, is in compliance with the requirements established by BACEN, as presented in notes 5.3 and 6.3.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### **3.4) Investments**

Significant investments in affiliated companies and/or those considered as such, in which the Company has influence on management (participation in supervisory and/or executive boards) or when the percentage of the investor's direct or indirect interest equals or exceeds 20% of the affiliated companies' capital, are calculated based on the equity method. Other investments are carried at cost and adjusted to their probable realizable value, when applicable.

The dividends and interest on shareholders' equity, related to significant investments, are recorded as a reduction to the related shareholding. Dividends and interest on shareholders' equity of investments valued at cost are posted directly to income for the year.

The premium determined on the acquisition of investments, whose economic basis has not been identified, is fully amortized. The premium calculated based on estimated future income is amortized over the time and extent of the projections that determined it, limited to a ten-year period.

The discount resulting from the acquisition of investments, whose economic basis has not been identified (for other economic reasons) will be written off upon sale of the investments.

#### **3.5) Monetary restatement of assets and liabilities**

Assets and liabilities legally or contractually subject to foreign exchange or index-based variation are restated up to the balance sheet date. The matching entries of such restatements are recorded in the statement of income for the period.

#### **3.6) Recognition of actuarial assets and liabilities**

##### **a) Pension plan**

Actuarial assets, computed by outside actuaries, are not recognized as assets of the sponsor since it is not possible to offset such amounts against future contributions, as set forth in the pension fund regulation. Actuarial liabilities, determined by actuaries, are recognized by the sponsor as a supplement to the existing reserve, against the income (loss) for the period.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

The portion of actuarial gains and losses to be recognized as an increase or reduction of future liabilities, to be determined by the actuaries, will correspond to the excess of the higher of 10% of the fair value of the plan assets or 10% of actuarial liabilities discounted to present value, and this portion is recognized over the average future time of service of the active participants of the plan. The effect of deferred actuarial gains and losses is accounted for as the annual expense with the supplementary pension plan, determined by the actuaries.

Expenses in connection with sponsor's contributions to the pension plan are charged to income on an accrual basis.

#### **b) Health care plan**

Actuarial liabilities, determined by outside actuaries, are recognized by the sponsor as a supplement to the existing reserve, and the matching entries are charged against income for the period

Expenses with sponsor's contributions to post-employment health care plan are charged against income on an accrual basis.

#### **3.7) Income tax and social contribution**

The provision for income tax was computed based on the book profit, adjusted by additions and exclusions established in applicable tax law, based on the rate of 15% plus a 10% surtax, as per current legislation. Social contribution tax was computed at the rate of 9%.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### 4. Marketable Securities

##### 4.1) Securities by nature and issuer

	R\$ thousand	
	2005	2004
<b>Trading securities</b>		
<i>Private Entities:</i>		
Banco do Brasil Investment Fund	1,925,322	2,591,948
Mutual fund shares	399,165	469,482
	<b>2,324,487</b>	<b>3,061,430</b>
<b>Securities available for sale</b>		
<i>Private Entities:</i>		
Shares, membership certificates and subscription warrants	405,910	-
	<b>405,910</b>	-
<b>Securities held to maturity</b>		
<i>Government Securities:</i>		
Agricultural Debt Bonds (TDA)	2,169	2,840
<i>Private Entities:</i>		
Debentures	5,627,455	5,973,660
Allowance for loan losses – Debentures	(866,599)	(755,822)
	<b>4,763,025</b>	<b>5,220,678</b>
<b>Total</b>	<b>7,493,422</b>	<b>8,282,108</b>
Current	3,214,941	3,326,534
Noncurrent	4,278,481	4,955,574
	<b>7,493,422</b>	<b>8,282,108</b>
		R\$ thousand
<b>Summary by issuer</b>	2005	2004
Government Securities	2,169	2,840
Private Entities	7,491,253	8,279,268
	<b>7,493,422</b>	<b>8,282,108</b>

# BNDES PARTICIPAÇÕES S.A. - BNDESPAR

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

### 4.2) Market value of securities held to maturity

	R\$ thousand			
	2005		2004	
	Cost	Market	Cost	Market
<b>Own portfolio:</b>				
<b>Securities held to maturity:</b>				
<b>Government Securities:</b>				
Agricultural Debt Bonds (TDA)	2,169	2,169	2,840	2,840
<b>Private Entities:</b>				
Debentures	5,627,455	5,627,455	5,973,660	5,973,660
Allowance for loan losses - Debentures	(866,599)	(866,599)	(755,822)	(755,822)
	<b>4,763,025</b>	<b>4,763,025</b>	<b>5,220,678</b>	<b>5,220,678</b>

### 4.3) Breakdown by maturity

	R\$ thousand							Total
	2005							
	No maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years	
<b>Trading securities</b>								
<b>Private Entities:</b>								
Banco do Brasil Investment Fund	1,925,322	-	-	-	-	-	-	1,925,322
Mutual fund shares	399,165	-	-	-	-	-	-	399,165
	<b>2,324,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,324,487</b>
<b>Securities available for sale</b>								
<b>Private Entities:</b>								
Shares, membership certificates and subscription warrants	405,910	-	-	-	-	-	-	405,910
	<b>405,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>405,910</b>
<b>Securities held to maturity</b>								
<b>Federal Government Securities:</b>								
Agricultural Debt Bonds (TDA)	-	542	-	1,085	542	-	-	2,169
	<b>-</b>	<b>542</b>	<b>-</b>	<b>1,085</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>2,169</b>
<b>Private Entities:</b>								
Debentures	-	380,599	224,445	399,367	1,535,536	3,087,225	283	5,627,455
	<b>-</b>	<b>380,599</b>	<b>224,445</b>	<b>399,367</b>	<b>1,535,536</b>	<b>3,087,225</b>	<b>283</b>	<b>5,627,455</b>
								<b>8,360,021</b>
Allowance for loan losses – Debentures								(866,599)
<b>TOTAL</b>								<b>7,493,422</b>

# BNDES PARTICIPAÇÕES S.A. - BNDESPAR

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

	2004							R\$ thousand
	Up to No maturity	3 to 12 3 months	1 to 3 months	3 to 5 years	5 to 15 years	Over 15 years	Total	
<b>Trading securities</b>								
<i>Private Entities:</i>								
Bando do Brasil Investment Fund	2,591,948	-	-	-	-	-	2,591,948	
Mutual fund shares	469,482	-	-	-	-	-	469,482	
	<b>3,061,430</b>	-	-	-	-	-	<b>3,061,430</b>	
<b>Securities held to maturity</b>								
<i>Federal Government Securities:</i>								
Agricultural Debt Bonds (TDA)	-	-	-	-	729	2,111	-	2,840
<i>Private Entities:</i>								
Debentures	291	191	372,525	972,359	102,027	4,525,772	495	5,973,660
	<b>291</b>	<b>191</b>	<b>372,525</b>	<b>972,359</b>	<b>102,756</b>	<b>4,527,883</b>	<b>495</b>	<b>5,976,500</b>
	<b>3,061,721</b>	<b>191</b>	<b>372,525</b>	<b>972,359</b>	<b>102,756</b>	<b>4,527,883</b>	<b>495</b>	<b>9,037,930</b>
Allowance for loan losses - Debentures								(755,822)
<b>Total</b>								<b>8,282,108</b>

### 4.4) Mutual fund shares

Such investments are managed by private financial institutions. Shares of such funds are valued based on the shares' amounts disclosed by the related administrator on the balance sheet base date.

	R\$ thousand	
	2005	2004
- Fator Sinergia Fund – FIA	90,122	200,566
- Bradesco Templeton Value and Liquidity Fund – FIA	44,452	98,056
- Brasil 21 – Mutual Fund for Investment in Emerging Companies	41,234	42,227
- Fire - Mutual Fund for Investment in Emerging Companies	45,032	39,866
- Brasil Private Equity – FIA	107,723	39,631
- Opportunity Equity Partners – FIA	34,051	24,271
- Brasil Energia – Equity Investment Fund	9,499	-
- Dynamo Puma Investment Fund	-	4,847
- PIBB Fundo de Índice Brasil 50 – Brasil Tracker Fund	-	2,687
- Other	27,052	17,331
<b>Total</b>	<b>399,165</b>	<b>469,482</b>

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

The shares of PIBB Fundo de Índice Brasil 50 – Brasil Tracker Fund are named “Papéis de Índice Brasil Bovespa” or PIBBs, and are accepted for trading on the São Paulo Stock Exchange (BOVESPA). These investments are managed by Banco Itaú S.A. The Fund’s investment objective is to reflect the changes and profitability of IBrX-50, which is an indicator of the Brazilian market performance since it mainly comprises IBrX-50 Shares, which are the 50 mostly traded shares on the BOVESPA stock market, in terms of business and financial volume.

In October 2005, BNDESPAR paid and sold PIBB shares, and wrote off respective stock portfolio of current assets, which resulted in a profit of R\$1,011,465 thousand.

After one year, the individual investor who purchased PIBB shares will have the right to resell them for the same par value paid upon launching, limited to the amount of R\$50 thousand per individual.

#### **4.5) Shares of Listed Companies**

On May 5, 2005, BNDES and BNDESPAR entered into an investment agreement with the controlling shareholders of Brasil Ferrovias S.A., Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) and Fundação dos Economistas Federais (FUNCEF), with a view to establishing the principles and parameters of the financial, operational, corporate and administrative restructuring plan of the Brasil Ferrovias Group.

In July 2005, BNDESPAR subscribed and paid for 1,750,316,322 shares representing 43.62% of the capital of Brasil Ferrovias S.A., at the amount of R\$ 415,000 thousand. This investment was classified as a significant affiliate permanent assets as significant affiliate and valued based on the equity method. The first valuation based on the equity method generated a premium, considering that the company had a capital deficiency.

In December 2005, the book value of the investment was transferred to current assets based on the expected investment realization.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### 4.6) Debentures

Debentures represent a type of financial support, rather than a financial investment, and are contracted directly with the issuers and realized upon maturity or converted/transformed into equity interest according to contractual clauses. Due to the features of these securities, they are valued according to the standards defined by BACEN Resolution N° 2,682, as presented in Note 5.3.

#### 4.7) Federal Government Securities

Federal government securities substantially result from the exchange of receivables and other assets with the National Treasury. Traditionally, these securities are traded with Federal Government-related institutions. So far, they have not been traded on the market.

Such securities are represented by Agricultural Debt Bonds (TDA), and were received during the privatization process as an integral part of the National Privatization Program (PND), to be exchanged with the Federal Government for National Treasury Notes – privatization series (NTN – P).

### 5. Debentures

Information on debentures is summarized as follows:

	R\$ thousand	
	2005	2004
Gross amount	5,627,455	5,973,660
Allowance for loan losses	(866,599)	(755,822)
Net amount	<b>4,760,856</b>	5,217,838
Current	484,002	265,104
Noncurrent	4,276,854	4,952,734
Total	<b>4,760,856</b>	<b>5,217,838</b>

#### 5.1) Breakdown of portfolio (gross figures) by activity sector:

	R\$ thousand	
	2005	2004
Private Sector		
Industrial production	4,712,076	4,837,120
Other services	915,379	1,136,540
Total	<b>5,627,455</b>	<b>5,973,660</b>

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### 5.2) Breakdown of portfolio (gross figures) by maturity

	<u>R\$ thousand</u>
	<u>2005</u>
Past due	3,636 (*)
Current:	
2006	601,408
2007	397,121
2008	2,246
2009	54,008
2010	1,481,528
Thereafter	3,087,508
Total	<u><u>5,627,455</u></u>

(\*) Past due portion of amounts in default.

	<u>R\$ thousand</u>
	<u>2004</u>
Past due	291 (*)
Current:	
2005	372,716
2006	467,831
2007	504,528
2008	14,050
2009	87,977
Thereafter	4,526,267
Total	<u><u>5,973,660</u></u>

(\*) Past due portion of amounts in default.

#### 5.3) Classification by risk level and status

Although BNDESPAR is not a financial institution, it follows the rules established by BACEN for the calculation of the allowance for losses on debentures and other receivables in connection with the installment sale of securities, in order to maintain its procedures consistent with those adopted by its controlling company.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

The National Monetary Council (CMN), through Resolution No. 2,682 of December 21, 1999, published by BACEN, established the method for recording the allowance for doubtful receivables. The rule, effective as from March 2000, stipulates the risk classification by levels based on the status of such transactions (in full performance or in default) and respective percentages.

Risk level	Status	R\$ thousand Debentures		Allowance %	R\$ thousand Allowance	
		2005	2004		2005	2004
AA	In full performance	20,041	43,256	0.00	-	-
A	In full performance	758,169	1,587,512	0.50	3,791	7,937
B	In full performance	1,483,271	268,865	1.00	14,833	2,688
C	In full performance	877,483	1,590,290	3.00	26,324	47,709
D	In full performance	1,334,878	1,510,056	10.00	133,488	151,006
E	In full performance	376,505	401,976	30.00	112,951	120,593
F	In full performance	77,055	355	50.00	38,527	178
G	In full performance	544,561	477,189	70.00	381,193	334,032
	In default	-	8,272		-	5,790
		<u>544,561</u>	<u>485,461</u>		<u>381,193</u>	<u>339,822</u>
H	In full performance	144,940	-	100.00	144,940	-
	In default	10,552	85,889		10,552	85,889
		<u>155,492</u>	<u>85,889</u>		<u>155,492</u>	<u>85,889</u>
<b>TOTAL</b>		<b><u>5,627,455</u></b>	<b><u>5,973,660</u></b>		<b><u>866,599</u></b>	<b><u>755,822</u></b>
Current		605,044	373,007		121,042	107,903
Noncurrent		<u>5,022,411</u>	<u>5,600,653</u>		<u>745,557</u>	<u>647,919</u>
<b>TOTAL</b>		<b><u>5,627,455</u></b>	<b><u>5,973,660</u></b>		<b><u>866,599</u></b>	<b><u>755,822</u></b>

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### 5.4) Changes in allowance for losses on debentures

	R\$ thousand	
	2005	2004
Balance at beginning of year	755,822	883,170
Addition (reversal)	202,476	(1,622)
Write-off	(91,699)	(125,726)
Balance at the end of the year	866,599	755,822

Effects on income are disclosed in Note 12.

### 6. Installment sale of securities

Information on installment sales of securities is summarized below:

	R\$ thousand	
	2005	2004
Gross amount	4,708,093	5,225,853
Allowance for loan losses	(214,894)	(243,785)
Net amount	4,493,199	4,982,068
Current	1,713,731	1,473,604
Noncurrent	2,779,468	3,508,464
Total	<b>4,493,199</b>	<b>4,982,068</b>

#### 6.1) Breakdown of portfolio (gross figures) by activity sector:

	R\$ thousand	
	2005	2004
Public Sector	2,810,506	3,189,416
Private Sector		
Industrial production	853,746	1,178,687
Trading	-	1,377
Financial intermediation	156,346	405,098
Other services	887,495	451,275
	1,897,587	2,036,437
Total	<b>4,708,093</b>	<b>5,225,853</b>

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### 6.2) Breakdown of portfolio (gross figures) by maturity

	<u>R\$ thousand</u>
	<u>2005</u>
Past due	17,160
Current:	
2006	1,778,533
2007	522,767
2008	257,945
2009	125,253
2010	1,619,919
Thereafter	386,516
Total	<u><b>4,708,093</b></u>

  

	<u>R\$ thousand</u>
	<u>2004</u>
Past due	1,377
Current:	
2005	1,544,334
2006	1,407,437
2007	413,257
2008	172,308
2009	90,999
Thereafter	1,596,141
Total	<u><b>5,225,853</b></u>

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

#### 6.3) Classification by risk level and status

Risk Level	Status	R\$ thousand		Allowance %	R\$ thousand	
		Installment sale of securities			Allowance	
		2005	2004		2005	2004
AA	In full performance	3,041,919	2,915,868	0.00	-	-
A	In full performance	612,762	431,354	0.50	3,064	2,157
B	In full performance	101,150	787,024	1.00	1,011	7,870
C	In full performance	125,475	81,188	3.00	3,764	2,436
D	In full performance	372,698	590,072	10.00	37,270	59,007
E	In full performance	406,149	354,332	30.00	121,845	106,300
H	In full performance In default	30,780	64,638	100.00	30,780	64,638
		17,160	1,377	100.00	17,160	1,377
		<u>47,940</u>	<u>66,015</u>		<u>47,940</u>	<u>66,015</u>
<b>Total</b>		<b><u>4,708,093</u></b>	<b><u>5,225,853</u></b>		<b><u>214,894</u></b>	<b><u>243,785</u></b>
Current		1,795,693	1,545,711		81,962	72,107
Noncurrent		2,912,400	3,680,142		132,932	171,678
<b>Total</b>		<b><u>4,708,093</u></b>	<b><u>5,225,853</u></b>		<b><u>214,894</u></b>	<b><u>243,785</u></b>

#### 6.4) Changes in allowance for losses on installment sale of securities

	R\$ thousand	
	2005	2004
Balance at beginning of year	243,785	262,147
Additions	14,096	24,674
Write-off	(42,987)	(43,036)
Balance at the end of the year	<b><u>214,894</u></b>	<b><u>243,785</u></b>

Effects on income are disclosed in Note 12.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### **7. Investments**

##### 7.1) Breakdown of balances

	R\$ thousand	
	2005	2004
Interest valued by the equity method	4,788,614	4,586,243
Interest valued at cost	2,932,579	2,887,422
<b>Total investments in associated companies</b>	<b>7,721,193</b>	<b>7,473,665</b>
Other equity interests	6,441,346	7,041,915
Other investments	12,256	12,790
<b>Total investments</b>	<b>14,174,795</b>	<b>14,528,370</b>



# BNDES PARTICIPAÇÕES S.A. - BNDESPAR

## NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

### b) Valued at cost

Investees	Number in thousand of shares held		Equity interest %	R\$ thousand Book value	
	Common	Preferred		2005	2004
	ACESITA	-		12,708	17.05
CAIUÁ	-	9,199	16.18	45,738	45,738
CEAL	64,276	41	18.20	136,002	136,002
ELETRORÁS	66,878,976	-	11.84	2,240,013	2,271,564
NORQUISA	-	-	-	-	30,960
RIO POLIMEROS	210,647	-	16.67	244,955	188,093
		<b>Subtotal</b>		<b>2,818,971</b>	<b>2,827,219</b>
Other companies (net of allowance for losses of R\$ 7,532 at 12.31.2005 and R\$7,532 at 12.31.2004).				113,608	60,203
		<b>Total</b>		<b>2,932,579</b>	<b>2,887,422</b>

### 7.3) Other equity interests

Investees	Number in thousand of shares held		Equity interest %	R\$ thousand Book value	
	Common	Preferred		2005	2004
	AMERICEL	-		132,690	1.45
ARACRUZ	56,881	40,001	9.38	220,196	226,820
BANCO DO BRASIL	46,604	-	5.75	353,790	356,522
BRASIL TELECOM PART.	1,271,491	11,498,992	3.51	214,099	339,955
BRASIL TELECOM	-	3,475,659	0.63	37,885	64,496
BANCO BRADESCO	-	494	0.05	8,045	54,558
BANCO ITAÚ	-	5	0.00	119	63,178
CBD	-	2,921,109	2.57	115,333	127,966
CEMIG	115,321	2,648,662	1.70	70,881	85,530
CELESC	-	31,159	4.04	39,629	43,069
CPFL ENERGIA	23,005	-	4.99	444,427	444,427
COTEMINAS	-	603,518	9.93	154,855	154,855
CSN (*)	17,086	-	6.28	268,615	-
CVRD	50,289	75	4.32	709,886	778,649
EMBRAER	3,489	43,224	6.47	136,968	142,776
EMBRATEL PART.	-	17,026,668	1.72	103,863	154,793
GERDAU	11,403	4,003	3.46	49,096	60,135
PETROBRAS	47,246	287,124	7.62	1,022,684	1,039,726
TELEMAR NORTE LESTE	-	936	0.39	36,535	46,502
TELESP CEL. PART.	-	13,878	2.10	104,082	270,138
TELET	-	133,930	0.96	8,636	8,636
TELE NORTE LESTE PART.	775	5,627	1.63	164,599	218,148
TRACTEBEL	-	18,266	2.80	60,078	120,596
VALEPAR	12,375	-	9.47	1,541,987	1,541,987
VCP	-	6,577	3.43	69,923	75,872
		<b>Subtotal</b>		<b>5,942,993</b>	<b>6,426,116</b>
(**)Other companies (net of allowance for losses of R\$ 75,958 at 12.31.2005 and R\$ 75,925 at 31.12.2004)				498,353	615,799
		<b>Total</b>		<b>6,441,346</b>	<b>7,041,915</b>

(\*) Includes the acquisition in 2005 of 17,061,698 common shares exchanged for 3,052 debentures issued by Vicunha Siderurgia S/A.

(\*\*) Includes the acquisition in 2005 of 2,784,800 preferred shares issued by Braskem S/A exchanged for 69,619,990 common shares of Norquisa.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### 7.4) Quality of stock portfolio

Equity interest is stated at R\$ 14,162,539 thousand, as follows: R\$ 7,721,193 thousand in associated companies (subject and not subject to equity pickup) and R\$ 6,441,346 thousand in other equity interests. Out of that total, approximately 69% (R\$ 9,766,559 thousand) is invested in listed companies, and the remaining amount (R\$ 4,395,980 thousand) in unlisted companies.

At December 31, 2005, the market value of the equity interests was estimated at R\$ 41,250,881 thousand. Investments in listed companies, using as reference the average quote, by security, prevailing in the most recent trading floor session at the São Paulo Stock Exchange, reached R\$ 33.877.037 thousand.

	R\$ thousand		
	2005		
	Book value	Fair value	Unrealized gain
Equity interest in Eletrobras	2,240,013	2,530,032	290,019
Equity interest in Petrobras	1,022,684	12,656,375	11,633,691
Other interest in listed companies	6,503,862	18,690,630	12,186,768
Equity interest in nonlisted companies*	4,395,980	7,373,844 (*)	2,977,864
<b>Total</b>	<b>14,162,539</b>	<b>41,250,881</b>	<b>27,088,342</b>

\* Since these are estimated amounts based on projections of economic value, the market value of these equity interests was not audited by independent auditors.

The allowance for losses is recorded only when the loss is considered permanent.

#### 7.5) Other investments

Other investments	R\$ thousand	
	Book value	
	2005	2004
Tax incentive investments	12,256	12,790
<b>Total</b>	<b>12,256</b>	<b>12,790</b>

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### 8. Onlending

##### 8.1) Breakdown

			R\$ thousand
			2005
	Local currency	Foreign currency	Total
BNDES	8,996,390	1,188,041	10,184,431
STN	4,777,092	-	4,777,092
<b>Total</b>	<b>13,773,482</b>	<b>1,188,041</b>	<b>14,961,523</b>
			2,687,536
Current			12,273,987
Noncurrent			<b>14,961,523</b>
Total			<b>14,961,523</b>
			R\$ thousand
			2004
	Local currency	Foreign currency	Total
BNDES	11,826,068	1,292,984	13,119,052
STN	4,073,886	-	4,073,886
<b>Total</b>	<b>15,899,954</b>	<b>1,292,984</b>	<b>17,192,938</b>
			2,413,828
Current			14,779,110
Noncurrent			<b>17,192,938</b>
Total			<b>17,192,938</b>

Onlending transactions with BNDES are subject to monetary restatement based on the long-term interest rate (TJLP), exchange variation or the General Market Price Index (IGP-M) plus annual interest of up to 10.09%, and must be settled by 2014.

Liabilities with the National Treasury (STN) are subject to the SELIC or IGP-M variation and annual interest of 6%, and must be settled by November 2010.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### **8.2) Maturity of onlending transactions with BNDES and the National Treasury (STN)**

	<u>R\$ thousand</u>
	<u>2005</u>
Current:	
2006	2,687,536
2007	4,613,070
2008	2,122,506
2009	2,122,506
2010	513,408
Thereafter	2,902,497
Total	<u><b>14,961,523</b></u>

  

	<u>R\$ thousand</u>
	<u>2004</u>
Current:	
2005	2,413,828
2006	2,366,315
2007	4,195,242
2008	2,151,897
2009	2,151,897
Thereafter	3,913,759
Total	<u><b>17,192,938</b></u>

## **9. Income tax and social contribution**

### **9.1) Current**

BNDESPAR calculates income and social contribution taxes based on the annual taxable income per books, and is subject to monthly payments on an estimated basis if tax suspension/reduction is not applied, as provided for in Articles 27 to 35 of Law No. 8981/95, supplemented by Laws 9,065/95, 9,249/95, 9,316/96, 9,430/96 and 9,532/97.

At December 31, 2005, BNDESPAR recorded provisions for social contribution (at a 9% rate) and income tax (at a 15% rate, plus a 10% surtax). Such provisions were calculated based on income before income and social contribution tax expenses.

# BNDES PARTICIPAÇÕES S.A. - BNDESPAR

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

The calculation of income tax and social contribution expenses is shown below:

	R\$ thousand			
	2005		2004	
	Income tax	Social contribution	Income tax (Reclassified)	Social contribution (Reclassified)
Income before taxes	1,376,528	1,376,528	986,044	986,044
Employee profit sharing	(9,400)	(9,400)	(10,590)	(10,590)
Tax base	1,367,128	1,367,128	975,454	975,454
Total income tax and social contribution expenses at rates of 25% and 9%	341,782	123,041	243,863	87,791
Effect of additions (exclusions) upon the calculation of taxes:				
• Allowance for loan losses (BACEN Res. No. 2,682/99)	31,467	11,328	(36,427)	(13,114)
• Actuarial liability – FAMS	1,878	676	7,262	2,614
• Dividends from investments valued at cost	(93,730)	(33,742)	(61,704)	(22,213)
• Loans written off as losses	(38,843)	(13,983)	17,257	6,213
• Equity pick up in associated companies	(86,680)	(31,205)	(72,251)	(26,010)
• Exchange of marketable securities	176,204	63,434	-	-
• Premium amortization, net of realization	(26,720)	3,099	5,718	2,058
• Valuation allowance for securities	73,563	26,483	9,318	3,354
• Investment sale – FINOR	167	-	12,292	-
• Provision for labor and civil contingencies	97,244	35,008	1,594	574
• Write-offs and depreciation – IPC/BTNF	-	4,382	-	1,031
• Other additions, exclusions and offset, net	(2,720)	(435)	(35)	374
Accrued income tax and social contribution	473,612	188,086	126,887	42,672

The balance payable is stated as follows:

	R\$ thousand	
	2005	2004
<b>Income and social contribution taxes:</b>		
• <b>Provision</b>		
Income tax	473,612	126,887
Social contribution	188,086	42,672
	661,698	169,559
• <b>Prepayments</b>		
Income tax	(415,495)	(98,977)
Social contribution	(164,476)	(40,050)
	(579,971)	(139,027)
Income tax and social contribution payable	81,727	30,532

# BNDES PARTICIPAÇÕES S.A. - BNDESPAR

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

Recoverable taxes and contributions and prepayments are as follows:

	R\$ thousand	
	2005	2004
Income tax (IR) paid in excess in prior years	197,532	12,361
Withholding Income Tax (IRRF) on fixed income investments	27,565	112,880
IRRF on variable income investments	4,852	17,417
IRRF on interest on shareholders' equity	51,905	150,566
Other	1,122	4,221
<b>Total</b>	<b>282,976</b>	<b>297,445</b>
Current	282,976	297,445
Noncurrent	-	-
	<b>282,976</b>	<b>297,445</b>

### 9.2) Deferred tax credits

	R\$ thousand	
	2005	2004
<b>. Breakdown of deferred tax credit:</b>		
Premium amortization	95,919	130,142
Allowance for loans written off as losses	65,421	122,905
Provision for devaluation of variable income securities	148,946	61,781
Provision for labor and civil contingencies	143,138	8,874
Exchange of marketable securities	239,638	-
Provision for employee's profit sharing	3,197	3,341
<b>Total</b>	<b>696,259</b>	<b>327,043</b>
Current	48,302	39,338
Noncurrent	647,957	287,705
	<b>696,259</b>	<b>327,043</b>

	R\$ thousand	
	2005	2004
<b>. Breakdown of deferred tax credit:</b>		
Discount amortization	8,153	8,153
<b>Total</b>	<b>8,153</b>	<b>8,153</b>
Current	-	-
Noncurrent	8,153	8,153
	<b>8,153</b>	<b>8,153</b>

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

In accordance with CVM Resolution No. 273/98, the Company recorded deferred tax credits and liabilities on temporary additions and exclusions to be deductible and taxable in the future, upon determination of income and social contribution tax bases. At December 31, 2005, the matching entry of the provisions for income tax and social contribution was R\$ 260,906 thousand and R\$ 108,310 thousand, respectively, was credit to income (R\$ 23,567 thousand credit to income and R\$ 15,681 thousand charged against income in 2004).

Basically, deferred tax credits arising out of temporary differences are as follows:

- a) Allowance for loans written off as losses: refers to the allowance recorded for loan or onlending transactions, the repayments of which are past due for more than 360 days, or maturity was accelerated due to noncompliance with contractual clauses. In relation to said loans, amicable collection actions may be carried out by the credit recovery department. Failing that, court collection actions are filed.
- b) Provision for labor and civil contingencies: refers to labor claims (Note 10.a) and civil proceedings (Note 10.b).
- c) Valuation allowance - variable income securities: allowance for losses on investments originating from tax incentives (FINOR) and equity interests valued at cost or by the equity method.
- d) Premium amortization: premium on subscription of shares in cash, conversion of debentures or exchange of shares or receivables.
- e) Exchange of securities: refers to tax claim recorded to offset the effect of current income and social contribution taxes paid on the difference between market and book values on the exchange of securities described in Note 5.5. Realization of such amounts is subject to the sale of respective securities.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

Deferred tax credits and liabilities on temporary additions or exclusions are realized upon payment, use or reversal of the above-mentioned allowances and provisions. Amounts recorded and written off during the year are shown below:

	R\$ thousand			
	12/31/2004	Recorded	Realized	12/31/2005
Deferred tax credits:				
.Valuation allowance for securities	61,781	109,156	(21,991)	148,946
.Loans written off as losses	122,905	45,786	(103,270)	65,421
.Premium amortization	130,142	8,882	(43,105)	95,919
.Provision for labor and civil contingencies	8,874	145,151	(10,887)	143,138
.Provision for employee's profit sharing	3,341	3,197	(3,342)	3,196
.Exchange of securities	-	239,638	-	239,638
	<b>327,043</b>	<b>551,810</b>	<b>(182,595)</b>	<b>696,258</b>
Deferred tax liabilities:				
.Discount amortization	8,153	-	-	8,153
	<b>8,153</b>	-	-	<b>8,153</b>
	R\$ thousand			
	12/31/2003	Recorded	Realized	12/31/2004
Deferred tax credits:				
.Premium amortization	37,574	94,596	(2,028)	130,142
.Allowance for loans written off as losses	99,436	57,348	(33,879)	122,905
.Valuation allowance – variable income securities	172,112	29,354	(139,685)	61,781
.Provision for labor and civil contingencies	7,668	10,887	(9,681)	8,874
.Provision for employee's profit sharing	2,367	3,600	(2,626)	3,341
	<b>319,157</b>	<b>195,785</b>	<b>(187,899)</b>	<b>327,043</b>
Deferred tax liabilities:				
.Discount amortization	8,153	-	-	8,153
	<b>8,153</b>	-	-	<b>8,153</b>

Deferred tax credits not recorded in 2005 totaled R\$ 520,030 thousand (R\$ 509,304 thousand in 2004). This amount refers substantially to the allowance for loan losses, calculated in conformity with BACEN Resolution No. 2,682/99, premium amortization, valuation allowance - variable income securities, and provision for health care expenses - FAMS. In accordance with BACEN Resolution No. 3,059/02, tax claims can only be established on the portion realizable in no later than 5 years and, based on a technical study, realization of these amounts remains uncertain or is expected to occur in a period longer than 5 years.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

Expected realization of deferred tax credits and deferred tax liabilities is as follows:

							RS thousand
	2006	2007	2008	2009	2010	After 2010	Total
Valuation allowance for securities	5,502	6,264	1,190	48,360	47,325	40,305	148,946
Allowance for loans written off	9,120	-	5,968	4,546	45,787	-	65,421
Premium amortization	28,696	9,995	31,892	5,752	11,255	8,329	95,919
Employee's profit sharing	3,197	-	-	-	-	-	3,197
Unrealized gain on securities	-	-	-	-	239,638	-	239,638
Provision for labor and civil contingencies	1,787	136,762	72	219	4,298	-	143,138
	<b>48,302</b>	<b>153,021</b>	<b>39,122</b>	<b>58,877</b>	<b>348,303</b>	<b>48,634</b>	<b>696,259</b>
Discount amortizations	-	-	-	-	-	8,153	8,153
	-	-	-	-	-	<b>8,153</b>	<b>8,153</b>

The present value of deferred tax credits recorded, calculated on the average funding rate, totaled R\$ 565,906 thousand.

In accordance with Article 5 of BACEN Resolution No. 3,059/02, the assets corresponding to the portion of deferred tax credits must be written off whenever the amounts effectively realized in two consecutive periods represent less than 50% (fifty percent) of the amounts forecast for the same period in a technical study prepared by the institution. The provisions of this article are not applicable to tax claims recorded before the date on which such resolution took effect. At December 31, 2005, write-offs of such nature did not take place. The deferred tax credits recorded after the effective date of the Resolution amounted to R\$ 600,313 thousand.

#### 10. Provision for labor and civil contingencies

BNDESPAR is involved in labor claims and civil proceedings arising in the ordinary course of its business.

The proceedings were classified into three loss categories: probable, possible and remote following the Pronouncement of the Brazilian Institute of Independent Auditors – IBRACON on uncertainties – NPA No. 9. The provisions were set up based on the opinion of internal and external legal advisors, taking into consideration the nature of the proceedings, similarity with previous cases, complexity of cases, case law and the status of the proceedings.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

Considering that BNDESPAR develops long-term transactions involving higher risks, and indirectly has the Federal Government as its sole shareholder, therefore not affecting minority interests, allowances were recorded, on a conservative basis, for 100% of the proceedings whose risk was assessed as probable and for a partial percentages for those whose risk was assessed as possible.

The provision recorded was considered by management as sufficient to cover any losses.

Breakdown of the provisions by nature is as follows:

	R\$ thousand	
	2005	2004
Labor claims	20,937	30,188
Civil proceedings	400,062	1,833
<b>Total</b>	<b>420,999</b>	<b>32,021</b>
Current	5,257	2,699
Noncurrent	415,742	29,322
<b>Total</b>	<b>420,999</b>	<b>32,021</b>

#### a) Labor claims

The provision for labor claims refers, substantially, to reinstatement of terminated employees and the collective labor agreement regarding recognition of the change in working hours, considering Law No. 10,566 of November 13, 2002, and related charges thereon (Social Security - INSS, Government Severance Indemnity Fund for Employees – FGTS and Withholding Income Tax - IRRF).

Changes in the provision for labor claims is as follows:

	R\$ thousand	
	2005	2004
Balance at beginning of year	30,188	25,522
Payments	-	(360)
Additions (reversal), net	(9,251)	5,026
<b>Balance at the end of the year</b>	<b>20,937</b>	<b>30,188</b>

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

#### b) Civil proceedings

Major civil contingencies refer to the privatization program introduced by the Federal Government and implemented by BNDES while it managed the National Privatization Program (PND), in addition to contractual issues. Changes in civil contingencies are as follows:

	R\$ thousand	
	2005	2004
Balance at beginning of year	1,833	123
Additions (reversal), net	398,229	1,710
Balance at the end of the year	<b>400,062</b>	<b>1,833</b>

Effects on income, in the amount of R\$ 398,228 arise mainly from a proceeding filed in 1995, related to a privatization auction held in 1989.

Due to the change of the position of the Lower Court, which was favorable to BNDESPAR, the loss expectation for this suit was reclassified to “probable” by BNDES legal department, which resulted in a provision monetary updated to December 31, 2005 of R\$399, 678 thousand.

#### 11. Shareholders' equity

At December 31, 2005 and 2004, fully paid-up capital amounts to R\$ 10,404.356 thousand and is represented by one registered common share, without par value, held by Banco Nacional de Desenvolvimento Econômico e Social - BNDES.

According to the BNDESPAR by-laws, the Company appropriated 5% of the net income for 2005, in the amount of R\$ 1,074,645 thousand, to the recording of a legal reserve of R\$ 53,732 thousand. As a minimum mandatory dividends to shareholders, 25% of net income was appropriated as dividends after the setting up of a legal reserve, equivalent to R\$ 255,228 thousand.

#### 12. Expense related to allowance for loan losses

	R\$ thousand	
	2005	2004
Addition (reversal) on debentures, net	202,476	(1,622)
Installment sale of securities, net	14,096	24,674
Recovery of loans written off	(179,024)	(13,073)
Expense recorded, net	<b>37,548</b>	<b>9,979</b>

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### **13. Employee benefits**

##### 13.1) Retirement and pension plan

FAPES is a private pension fund created primarily to supplement the social security benefits granted by the National Social Security Institute (INSS) to the employees of its sponsors: BNDES, FINAME, BNDESPAR and FAPES itself.

FAPES has a defined benefit plan and uses the capitalization system to assess its respective reserves.

Sponsors should provide FAPES, when so required, with the funds for covering any technical weaknesses revealed by an actuarial revaluation, as established in the Foundation's Articles of Organization, in accordance with ruling legislation.

According to the balance sheet of Fundação de Assistência e Previdência Social do BNDES – FAPES at December 31, 2005, the deficit difference before credits to sponsor, between the guaranty asset and the actuarial commitment was calculated at R\$ 39,704 thousand (R\$ 40,587 thousand), equivalent to 6.52% (8.25% in 2004) of total guaranty assets of FAPES. This actuarial liability is covered by Accounts Payable – FAPES (Note 12.2) recorded in BNDESPAR, in accordance with accounting recognition rules determined by NPC-26 from IBRACON. Considering such amounts, the retirement and pension plan has a surplus difference of R\$ 60,643 thousand (R\$ 62,479 thousand in 2004), equivalent to 9.97% (12.7% in 2004) of total guaranty assets.

The actuarial commitment was valued by an independent actuary based on the Projected Credit Unit (PCU) method, with analysis performed in September, 2005. The amounts were restated through December 31, 2005 considering an annual actuarial interest of 6% and monetary adjustment pegged to the INPC.

In view of the surplus determined, there was no need for recording any provision for post-employment benefits under FAPES in the financial statements of the sponsors, in accordance with accounting recognition rules determined by NPC-26 issued by IBRACON.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

The following table shows the contributions made by BNDESPAR to fund the benefits plan, in accordance with the limit established by ruling legislation:

	R\$ thousand	
	2005	2004
Payroll	43,194	42,890
Contributions from participants	5,015	4,844
Contribution from sponsors	5,015	4,844

### 13.2) Accounts payable - FAPES

Refers to debt acknowledgment contracts entered into with sponsors for a fixed amortization term based on monthly payments, totaling thirteen installments each year, calculated based on the French Amortization System (*Sistema Price*), accruing annual interest at the actuarial rate of 6% plus the rate to fund administrative expenses and monetary adjustment, which occurs on the same periods and proportions in which the adjustment is granted or general change in the salaries of sponsors' employees.

The debt is represented as follows:

	R\$ thousand	
	2005	2004
2002 Contracts (a)	64,482	65,640
2004 Contracts (b)	35,865	37,426
Total	100,347	103,066
Current	2,716	2,362
Noncurrent	97,631	100,704
Total	100,347	103,066

(a) Refers to the agreement between the BNDES system companies and their employees, involving the recognition of the change in working hours in view of Law No. 10,556 of November 13, 2002, which resulted in an increase by 16.67% in participants' salary participation basis, which a direct impact on mathematical provisions of benefit plans. To partially cover increase resulting from such provisions for 2002, agreements were entered into which establish the amortization of the debt in 390 installments. Repayment started in January 2003.

(b) Refers to the conversion of present value reserve for unaccrued benefits (according to the BNDES System request and as recommended by the Central Bank of Brazil – BACEN), that had been amortized on a monthly basis since November 1998, based on extraordinary contributions, as per a debt recognized by sponsors maturing in November 2018. The payment of the first installment was made in December 2004. Amounts pending to be adjusted relate to an installment under discussion, considering different criteria for determining actuarial restatement that FAPES recorded on a conservative basis.

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### 13.3) Other employee benefits

##### a) Health care plan

BNDESPAR, as a wholly-owned subsidiary of BNDES, sponsors the Medical and Social Assistance Fund (FAMS), created primarily to provide plan participants and dependents with benefits that are supplementary or similar to those granted by INSS. Employees have been assured of receiving such benefits, including medical/hospital and dental care services under free- or directed-choice systems, since 1976, supported by BNDES Executive Board Resolution No. 933/98, applicable to BNDES subsidiaries.

FAMS beneficiaries are active and retired employees of BNDESPAR and respective dependents; in the event of death of the principal beneficiary, the dependent is assured of his/her right to the benefits over a maximum of 24 months.

FAMS receives funds donated by BNDESPAR to achieve its objectives. These funds are managed by FAPES, which is also responsible for annual budgeting and detailing of operating costs required by FAMS.

FAMS is not covered by guaranty assets. Benefits are prepaid by BNDESPAR based on budgets prepared by FAPES, which monthly submits supporting evidence (Statement of Accountability) of the expenses incurred.

At December 31, 2005, based on the actuarial valuation by the independent actuary on the same date, the amount of the actuarial obligation to assisted and active participants over the average time of future service was recorded.

	R\$ thousand	
	2005	2004
Actuarial obligation to active participants	66,970	41,522
Actuarial obligation to assisted participants	47,105	26,063
Actuarial obligation amount	114,075	67,585
Unrecognized actuarial losses	(41,761)	(2,784)
Net actuarial liabilities	<b>72,314</b>	<b>64,801</b>
Current	2,854	1,933
Noncurrent	69,460	62,868
Total	<b>72,314</b>	<b>64,801</b>

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

	R\$ thousand	
	2005	2004
Net expense for the year:		
Current service cost	1,633	922
Interest cost	7,545	1,932
Past service for rights to be vested	-	16,775
Past service for vested rights	-	10,529
<b>Total</b>	<b>9,178</b>	<b>30,158</b>

#### b) Other benefit expenses

In addition to FAMS, BNDESPAR grants its active employees the following benefits:

	R\$ thousand	
	2005	2004
Subsidized transportation	82	80
Meal tickets	1,226	1,339
Daycare centers	81	90
<b>Total</b>	<b>1,389</b>	<b>1,509</b>

#### 13.4) Results of actuarial valuation of retirement and pension plan

	R\$ thousand	
	2005	2004
<b>Changes in fair value of plan assets:</b>		
Fair value of plan assets at beginning of year	492,058	471,505
Estimated return on plan assets	29,369	25,693
Contributions made to the Fund *	15,816	11,066
Benefits paid	(21,030)	(17,577)
Actuarial gain on plan assets at beginning of year	92,322	66,883
Unrecognized contractual revenue	-	(65,512)
Fair value of plan assets at end of year (1)	<b>608,535</b>	<b>492,058</b>
<b>Changes in actuarial obligation:</b>		
Present value of actuarial obligation at beginning of year	532,382	447,313
Interest cost	31,321	24,066
Current service cost	12,981	11,075
Benefits paid	(21,030)	(17,577)
Actuarial loss on actuarial obligation at beginning of year	51,055	67,505
Present value of actuarial obligation at end of year (2)	<b>606,709</b>	<b>532,382</b>
(3) Fair value of assets in excess of present value of obligations (1 - 2)	1,826	(40,324)
(4) Unrecognized actuarial losses	(41,530)	(263)
(5) Actuarial liabilities before sponsor's credits, net (3+4)	(39,704)	(40,587)
(6) Sponsor's credits	100,347	103,066
Ending actuarial assets, net (5+6)	<b>60,643</b>	<b>62,479</b>

\* Includes R\$ 5,786 thousand in 2005 and R\$ 1,378 thousand in 2004 from other participants' contributions.

## BNDES PARTICIPAÇÕES S.A. - BNDESPAR

### NOTES TO FINANCIAL STATEMENTS December 31, 2005 and 2004

	R\$ thousand	
	2005	2004
<b>Net expense for the year</b>		
Current service cost	12.981	11.075
Interest cost	31.321	24.066
Estimated return on plan assets	(29.369)	(25.693)
Contributions made from participants	(3.427)	(3.294)
Uncompleted contractual revenue receivable	-	65.512
<b>Total</b>	<b>11.506</b>	<b>71.666</b>

The main assumptions adopted in the actuarial valuation were:

Type	Specification	
	2005	2004
Benefit plan:	Defined benefit	Defined benefit
Benefits considered:	All regulated benefits	All regulated benefits
Actuarial evaluation method:	Projected Credit Unit	Projected Credit Unit
Mortality table:	AT-2000	AT-49
Disability:	Álvaro Vindas	Álvaro Vindas
Average turnover up to 47 years for those who adhered to the plan after 12/31/1977:	0% p.a.	0% p.a.
Average turnover after 47 years for those who adhered to the plan up to 12/31/1977:	0% p.a.	0% p.a.
Actual salary increase estimated for active participants:	1.592% and 2.65% p.a. for assistants and technicians, respectively, up to 50 years and nil after 51 years	1.592% and 2.65% p.a. for assistants and technicians, respectively, up to 50 years and nil after 51 years
Actual increase estimated for retirement and pension benefits granted:	0% p.a.	0% p.a.
Actual increase estimated for health care benefits:	5% p.a.	5% p.a.
Rate used in the discount at present value of actuarial obligations:	Interest of 6% p.a. plus 5% adjustment	Interest of 6% p.a. plus 5% adjustment
Yield rate expected on the plan assets:	Interest of 6% p.a. plus 5% adjustment	Interest of 6% p.a. plus 5% adjustment

## **BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

### **NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

#### **14. Counter-guarantees provided**

The Company pledged 7,744,038 registered preferred shares issued by Petróleo Brasileiro S/A – PETROBRAS and 28,083,251,230 registered common shares issued by Centrais Elétricas Brasileiras S/A - ELETROBRAS, as counter-guarantee to the National Treasury, in relation to surety and loans, totaling US\$ 600 million, raised abroad by its sole shareholder – BNDES.

BNDESPAR has 29,116,841 registered preferred shares issued by Empresa Brasileira de Aeronáutica S/A - EMBRAER, which are held by its single shareholder, BNDES, retained in an escrow account to back the issuance of Exchangeable Notes, for American Depositary Shares (ADS), representative of registered preferred capital stock of EMBRAER, in a fundraising operation totaling US\$ 300 million. Considering the statutory exercise of options by investors in June 2004, BNDESPAR amortized the principal amount by US\$ 186 million.

**BNDES PARTICIPAÇÕES S.A. - BNDESPAR**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2005 and 2004

**BOARD OF DIRECTORS:**

LUIZ FERNANDO FURLAN - Chairman

GUIDO MANTEGA

JUAN MANUEL QUIRÓS SADIR

RENÊ DE OLIVEIRA GARCIA JÚNIOR

ROBERTO TEIXEIRA DA COSTA

JOSÉ FRANCISCO GRAZIANO DA SILVA

**SUPERVISORY BOARD:**

PAULO FONTOURA VALLE

ARNIM LORE

LUIZ FERNANDO JULIO

**EXECUTIVE BOARD:**

GUIDO MANTEGA – Chief Executive Officer

DEMIAN FIOCCA – Managing Director

ANTÔNIO BARROS DE CASTRO – Director

ARMANDO MARIANTE CARVALHO JÚNIOR – Director

CARLOS KAWALL LEAL FERREIRA – Director

MAURÍCIO BORGES LEMOS – Director

ROBERTO TIMOTHEO DA COSTA – Director

**SUPERINTENDENCE OF THE FINANCIAL AREA:**

MARIA ISABEL REZENDE ABOIM

**HEAD OF THE ACCOUNTING DEPARTMENT:**

VÂNIA MARIA DA COSTA BORGERTH - CRC-RJ 064.817/4