

Financial Statements

*BNDES Participações S.A. -
BNDESPAR*

*December 31, 2006 and 2005
with Report of Independent Auditors*

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

FINANCIAL STATEMENTS

December 31, 2006 and 2005

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A free translation from Portuguese into English of Report of Independent Auditors on financial statements in accordance with the accounting practices adopted in Brazil

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
BNDES Participações S.A. – BNDESPAR

1. We have audited the accompanying balance sheets of BNDES Participações S.A. – BNDESPAR as of December 31, 2006 and 2005 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 the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of certain affiliates in which BNDES Participações S.A. – BNDESPAR holds investments worth R\$3,344,457 thousand and whose net gains determined by the equity method of accounting reach R\$484,897 thousand at December 31, 2006 were examined by other independent auditors. The reports those independent auditors provided to us do not contain any qualifications that materially affect the statement of financial position and the statement of income of BNDES Participações S.A. – BNDESPAR, and our opinion, insofar as it relates to those investments, is based solely on the reports issued by those independent auditors.
2. Except for the matter mentioned in paragraph (3), our audits were conducted in accordance with generally accepted auditing standards in Brazil and included: (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.
3. The financial statements of an affiliate in which BNDESPAR holds an investment at December 31, 2006 worth R\$316,381 thousand and whose net loss determined by the equity method of accounting reached R\$1,416 thousand at December 31, 2006 were examined neither by us nor by other independent auditors.

4. In our opinion, based on our examinations and on the reports issued by other independent auditors, except for the possible adjustment that might arise from the matter commented on in paragraph (3), the financial statements referred to above present fairly, in all material respects, the financial position of BNDES Participações S.A. – BNDESPAR at December 31, 2006 and 2005, and the results of its operations, changes in its shareholders' equity and changes in its financial position for the years then ended, in accordance with the accounting practices adopted in Brazil.

Rio de Janeiro, January 31, 2007

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

Flávio Serpejante Peppe
Accountant CRC-1SP 172.167/O-6 - S - RJ

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

BALANCE SHEETS December 31, 2006 and 2005 (In thousands of reais)

	2006	2005
ASSETS		
CURRENT ASSETS	3.845.552	5.429.069
AVAILABLE FUNDS	4.231	9.314
MARKETABLE SECURITIES	2.133.498	3.214.941
Banco do Brasil Investment Fund	1.470.965	1.925.322
Debentures	767.508	605.044
Allowance for loan losses - Debentures	(338.024)	(121.042)
Shares, membership certificates and subscription bonus	4.183	405.910
Quotas of mutual investment funds	228.313	399.165
Government securities	553	542
OTHER RECEIVABLES	1.707.509	2.204.500
Installment sale of securities	696.737	1.795.693
Allowance for loan losses - installment sale of securities	(22.661)	(81.962)
Dividends and interest on shareholders' equity receivable	447.322	147.268
Tax credits	307.120	48.302
Recoverable taxes and contributions and prepayments	261.985	282.976
Sundry	17.006	12.223
OTHER ASSETS	314	314
NONCURRENT ASSETS	6.231.873	7.716.701
MARKETABLE SECURITIES	2.356.783	4.278.481
Debentures	2.569.830	5.022.411
Allowance for loan losses - Debentures	(214.153)	(745.557)
Government securities	1.106	1.627
OTHER RECEIVABLES	3.875.090	3.438.220
Installment sale of securities	3.572.268	2.912.400
Allowance for loan losses - installment sale of securities	(116.189)	(132.932)
Deferred Tax credits	400.247	647.957
Tax incentives	18.764	10.795
PERMANENT ASSETS	14.934.082	14.174.795
INVESTMENTS	14.934.082	14.174.795
Investments in affiliates	8.667.134	7.721.193
Other equity interests	6.254.692	6.441.346
Other investments	12.256	12.256
TOTAL ASSETS	25.011.507	27.320.565

	<u>2006</u>	<u>2005</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES	4.325.275	3.121.493
ONLENDING	3.028.747	2.687.536
BNDES	1.672.235	2.085.194
National Treasury	1.356.512	602.342
OTHER LIABILITIES	1.296.528	433.957
Dividends and interest on shareholders' equity payable	702.387	255.228
Income and social contribution taxes	108.364	81.727
Other taxes	16.640	45.286
Provision for labor and civil contingencies	432.233	5.257
Actuarial liabilities - FAMS	3.509	2.854
Payables subject to the settlement of transactions	13.712	26.148
Accounts payable - FAPES	3.054	2.716
Sundry	16.629	14.741
NONCURRENT LIABILITIES	7.785.239	12.864.973
LIABILITIES - ISSUE OF DEBENTURES	541.540	-
ONLENDING	7.041.352	12.273.987
BNDES	5.750.578	8.099.237
National Treasury	1.290.774	4.174.750
OTHER LIABILITIES	202.347	590.986
Accounts payable - FAPES	105.229	97.631
Actuarial liabilities - FAMS	87.877	69.460
Provision for labor and civil contingencies	1.088	415.742
Deferred taxes	8.153	8.153
SHAREHOLDERS' EQUITY	12.900.993	11.334.099
Capital	10.404.356	10.404.356
Capital reserve	45.134	11.147
Revaluation reserve	84.761	49.196
Income reserve	242.292	94.421
Retained earnings	2.124.450	774.979
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	25.011.507	27.320.565

See accompanying notes.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

STATEMENTS OF INCOME

Six-month period ended December 31, 2006
and years ended December 31, 2006 and 2005
(In thousands of reais)

	2nd half of	Years	
	2006	2006	2005
OPERATING REVENUES	2.345.085	5.734.164	4.624.637
EQUITY INTEREST	1.612.237	4.318.405	3.190.721
Equity pickup	684.243	1.015.710	603.827
Dividends	111.576	578.432	374.918
Income from disposal of variable income securities	152.414	1.502.469	1.510.556
Interest on shareholders' equity	615.312	1.173.102	701.420
Commissions and charges	48.692	48.692	-
FINANCIAL OPERATIONS	732.848	1.415.759	1.433.916
Revenues from credit operations	229.696	478.799	557.930
Securities	277.460	655.401	682.844
Income from disposal of fixed income securities	163.433	163.433	-
Income from mutual investment funds	55.876	81.938	14.196
Commissions and premium	2.510	4.468	138.279
Monetary restatement of assets - SELIC	3.330	30.535	39.033
Sundry	543	1.185	1.634
OPERATING EXPENSES	(1.293.742)	(1.910.884)	(3.200.603)
EQUITY INTEREST	(650.116)	(807.988)	(578.540)
Equity pickup	(239.405)	(380.599)	(208.563)
Allowance for losses on permanent investments	(241.261)	(246.059)	(335.361)
Expenses with acquisitions of equity interest	-	-	(178)
Premium amortization	(169.450)	(181.330)	(34.438)
FINANCIAL OPERATIONS	(435.735)	(933.443)	(1.768.336)
Financial charges on liabilities:			
Issue of debentures	(3.588)	(3.588)	-
BNDES	(366.644)	(736.482)	(1.012.531)
National Treasury	(212.665)	(546.912)	(684.802)
Other liabilities	(820)	(8.473)	-
Allowance for loan losses	147.982	403.358	(37.548)
Monetary restatement of liabilities - SELIC	-	(41.346)	(33.455)
ADMINISTRATIVE AND GENERAL	(207.891)	(169.453)	(853.727)
Tax expenses	(117.551)	(218.508)	(359.108)
Remuneration - Board and Directors	(174)	(396)	(282)
Payroll	(43.768)	(81.712)	(82.486)
Provision for labor and civil contingencies	(14.367)	(12.397)	(388.978)
Recovery of taxes	(4.490)	188.172	-
Sundry	(27.541)	(44.612)	(22.873)
OPERATING INCOME	1.051.343	3.823.280	1.424.034
NON-OPERATING EXPENSES	(315)	(725)	(47.506)
INCOME BEFORE TAXES	1.051.028	3.822.555	1.376.528
Income tax	(203.538)	(630.843)	(473.612)
Social contribution tax	(73.446)	(234.401)	(188.086)
Deferred taxes - recording	23.016	11.109	369.215
NET INCOME BEFORE EMPLOYEE PROFIT SHARING	797.060	2.968.420	1.084.045
Employee profit sharing	(11.000)	(11.000)	(9.400)
NET INCOME FOR THE SIX-MONTH PERIOD / YEAR	786.060	2.957.420	1.074.645

See accompanying notes.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

STATEMENT OF SHAREHOLDERS' EQUITY

Year ended December 31, 2006

(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, 2006	10.404.356	11.147	49.196	94.421	774.979	11.334.099
Supplementary dividends Year 2005	-	-	-	-	(765.685)	(765.685)
Tax incentive reserve Application	-	33.987	-	-	-	33.987
Revaluation reserve in affiliates						
Constitution	-	-	43.560	-	-	43.560
Realization	-	-	(7.995)	-	7.995	-
Net income for the year	-	-	-	-	2.957.420	2.957.420
Appropriation of net income						
Legal reserve	-	-	-	147.871	(147.871)	-
Dividends	-	-	-	-	(702.388)	(702.388)
Balances at December 31, 2006	10.404.356	45.134	84.761	242.292	2.124.450	12.900.993
Changes for the year	-	33.987	35.565	147.871	1.349.471	1.566.894

See accompanying notes.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

STATEMENT OF SHAREHOLDERS' EQUITY

Six-month period ended December 31, 2006

(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, 2006	10.404.356	45.134	86.329	94.421	2.184.234	12.814.474
Revaluation reserve in affiliates						
Constitution	-	-	2.847	-	-	2.847
Realization	-	-	(4.415)	-	4.415	-
Net income for the six-month period	-	-	-	-	786.060	786.060
Appropriation of net income						
Legal reserve	-	-	-	147.871	(147.871)	-
Dividends	-	-	-	-	(702.388)	(702.388)
Balances at December 31, 2006	10.404.356	45.134	84.761	242.292	2.124.450	12.900.993
Changes for the six-month period	-	-	(1.568)	147.871	(59.784)	86.519

See accompanying notes.

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

See accompanying notes.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

STATEMENTS OF CHANGES IN CASH POSITION

Six-month period ended December 31, 2006 and

years ended December 31, 2006 and 2005

(In thousands of reais)

	2nd half of	Years	
	2006	2006	2005
SOURCES OF FUNDS	4.834.637	6.862.419	3.776.220
OPERATIONS	618.318	2.358.737	1.475.706
NET INCOME FOR THE SIX-MONTH PERIOD/YEAR	786.060	2.957.420	1.074.645
ITEMS NOT AFFECTING CASH POSITION	(167.742)	(598.683)	401.061
Allowance for loan losses	(147.982)	(403.358)	37.548
Provision for labor and civil contingencies	14.367	12.397	388.978
Allowance for losses on permanent investments	241.261	246.059	335.361
Equity pickup	(444.838)	(635.111)	(395.264)
Premium amortization	169.450	181.330	34.438
THIRD PARTIES	4.216.319	4.503.682	2.300.514
Increase in National Treasury onlending, net	-	-	703.206
Increase in liabilities - issue of debentures, net	541.540	541.540	-
Increase in other liability accounts, net	581.082	461.535	171.127
Decrease in credits for installment sales of securities, net	262.133	766.402	451.321
Decrease in permanent assets, net	-	-	413.923
Decrease in other asset accounts, net	2.831.564	2.700.218	549.790
Tax incentive investments (Shareholders' Equity)	-	33.987	11.147
APPLICATIONS OF FUNDS	4.851.279	6.867.502	3.769.668
Increase in permanent assets, net	830.803	508.005	-
Decrease in BNDES onlending, net	1.041.706	2.761.618	2.934.621
Decrease in National Treasury onlending, net	2.169.605	2.129.806	-
Decrease in onlending with other institutions, net	106.777	-	-
Supplementary dividends for the year 2004	-	-	579.819
Supplementary dividends for the year 2005	-	765.685	-
Declared dividends	702.388	702.388	255.228
INCREASE (DECREASE) IN CASH POSITION	(16.642)	(5.083)	6.552
CHANGES IN FINANCIAL POSITION			
Beginning of six-month period / year	20.873	9.314	2.762
End of six-month period / year	4.231	4.231	9.314
INCREASE (DECREASE) IN CASH POSITION	(16.642)	(5.083)	6.552

See accompanying notes.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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, 2006 and 2005

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. 3068 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, 2006 and 2005

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. 2682 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. 2682. 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, 2006 and 2005

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.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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.

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, at the rate of 15%, plus a 10% surtax on tax bases exceeding R\$ 120 thousand for the six-month period (R\$ 240 thousand for the year) 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, 2006 and 2005

4. Marketable Securities

4.1) Securities by nature and issuer

	R\$ thousand	
	2006	2005
Trading securities		
<i>Private Entities:</i>		
Banco do Brasil Investment Fund	1,470,965	1,925,322
Mutual fund shares	228,313	399,165
	1,699,278	2,324,487
Securities available for sale		
<i>Private Entities:</i>		
Shares, membership certificates and subscription warrants	4,183	405,910
	4,183	405,910
Securities held to maturity		
<i>Government Securities:</i>		
Agricultural Debt Bonds (TDA)	1,659	2,169
<i>Private Entities:</i>		
Debentures	3,337,338	5,627,455
Allowance for loan losses – Debentures	(552,177)	(866,599)
	2,786,820	4,763,025
Total	4,490,281	7,493,422
Current	2,133,498	3,214,941
Noncurrent	2,356,783	4,278,481
	4,490,281	7,493,422
		R\$ thousand
Summary by issuer	2006	2005
Government Securities	1,659	2,169
Private Entities	4,488,622	7,491,253
	4,490,281	7,493,422

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

4.2) Market value of securities held to maturity

	R\$ thousand			
	2006		2005	
	Cost	Market	Cost	Market
Own portfolio:				
Securities held to maturity:				
<i>Government Securities:</i>				
Agricultural Debt Bonds (TDA)	1,659	1,659	2,169	2,169
<i>Private Entities:</i>				
Debentures	3,337,338	3,337,338	5,627,455	5,627,455
Allowance for loan losses - Debentures	(552,177)	(552,177)	(866,599)	(866,599)
	2,786,820	2,786,820	4,763,025	4,763,025

4.3) Breakdown by maturity

	R\$ thousand							Total
	2006							
	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	
Trading securities								
<i>Private Entities:</i>								
Banco do Brasil Investment Fund	1,470,965	-	-	-	-	-	-	1,470,965
Mutual fund shares	228,313	-	-	-	-	-	-	228,313
	1,699,278	-	-	-	-	-	-	1,699,278
Securities available for sale								
<i>Private Entities:</i>								
Shares, membership certificates and subscription warrants	4,183	-	-	-	-	-	-	4,183
	4,183	-	-	-	-	-	-	4,183
Securities held to maturity								
<i>Federal Government Securities:</i>								
Agricultural Debt Bonds (TDA)	-	553	-	1,106	-	-	-	1,659
<i>Private Entities:</i>								
Debentures	-	408,165	359,343	43,314	393,197	2,133,036	283	3,337,338
	408,718	359,343	44,420	393,197	2,133,036	283	3,338,997	
	1,703,461	408,718	359,343	44,420	393,197	2,133,036	283	5,042,458
Allowance for loan losses – Debentures								(552,177)
Total								4,490,281

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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

4.4) Mutual investment 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	
		2006	2005
- Fator Sinergia Fund – FIA	555	90,122	
- Brasil 21 - Mutual Fund for Investment in Emerging Companies	60,838	41,234	
- Equity Investment Fund - Governance and Management – FIPGG	11,381	-	
- Fire - Mutual Fund for Investment in Emerging Companies	23,451	45,032	
- Opportunity Equity Partners – FIA	50,040	34,051	
- Brasil Energia – Equity Investment Fund	29,207	9,499	
- AG Angra Infra-Estrutura - Equity Investment Fund	8,295	-	
- RB Cinema I - Financial Fund for National Cinematographic Industry	7,551	7,000	
- SC Mutual Fund for Investment in Emerging Companies	9,479	4,912	
- Bradesco Templeton Value and Liquidity Fund – FIA	-	44,452	
- Brasil Private Equity – FIA	-	107,723	
- Other	27,516	15,140	
Total	228,313	399,165	

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NOTES TO FINANCIAL STATEMENTS

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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., in the amount of R\$ 415,000 thousand. This investment was classified in permanent assets as a 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 capital deficiency.

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

In January 2006, BNDESPAR subscribed and paid for more 482,380,615 shares, thus totaling 46.6% of the capital of Brasil Ferrovias S.A., in the amount of R\$ 518,050 thousand.

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In May 2006, BNDESPAR decided to adhere to the Investment Agreement and Other Deals of Brasil Ferrovias S/A, which refers to the merge of all shares issued by Brasil Ferrovias S/A into the capital of América Latina Logística S/A (ALL), after complying the suspensive conditions, such as obtaining all legal and corporate authorizations and the conversion of 1st Issue Debentures of Ferropasa – Ferronorte Participações S/A, succeeded by Brasil Ferrovias S/A.

On June 16, 2006, BNDESPAR converted the 11,219 debentures into 1,612,726,434 preferred shares issued by Brasil Ferrovias S/A, in the amount of R\$ 330,916 thousand, the total investment totalized R\$ 848,966 thousand. On the same date, the General Meetings of ALL and Brasil Ferrovias decided the merger of shares. However, as per paragraph 3 of article 137, Law No. 6404/76, the confirmation of such transaction depended on the lapse of term for the exercise of the right to withdrawal by the shareholders dissenting from the approval, by General Meetings, of share absorption, which occurred on July 26, 2006.

On July 27, 2006, América Latina Logística S.A. (ALL), Brasil Ferrovias S.A. and Novoeste Brasil S.A. communicated the market about the end of the dissenting shareholders period for the exercise of the right to withdrawal, and informed that a general meeting of shareholders to reconsider the Merger of Shares would not be held.

On August 8, 2006, the companies communicated the steps to update the shareholding registers in connection with Merger of Shares. Upon conclusion of said transaction, the registration of shares issued by ALL for BNDESPAR portfolio was effectively performed by the custodial entities on August 14, 2006.

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 No. 2682, as presented in Note 5.3.

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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	
	2006	2005
Gross amount	3,337,338	5,627,455
Allowance for loan losses	(552,177)	(866,599)
Net amount	2,785,161	4,760,856
Current	429,484	484,002
Noncurrent	2,355,677	4,276,854
Total	2,785,161	4,760,856

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

	R\$ thousand	
	2006	2005
Private Sector		
Industrial production	2,321,773	4,712,076
Other services	1,015,565	915,379
Total	3,337,338	5,627,455

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5.2) Breakdown of portfolio (gross figures) by maturity

	R\$ thousand
	2006
Past due	-
Current:	
2007	767,508
2008	4,872
2009	38,443
2010	390,626
2011	2,572
Thereafter	2,133,317
Total	3,337,338
	R\$ thousand
	2005
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	5,627,455

(*)Past due portion of amounts in default.

5.3) Breakdown of portfolio and allowance for loan losses 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.

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The National Monetary Council (CMN), through Resolution No. 2682 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\$ thousands		%	R\$ thousand	
		Debentures			Allowance	
		2006	2005	Allowance	2006	2005
AA	In full performance	101,005	20,041	0.00	-	-
A	In full performance	1,045,057	758,169	0.50	5,225	3,791
B	In full performance	821,247	1,483,271	1.00	8,212	14,833
C	In full performance	391,865	877,483	3.00	11,757	26,324
D	In full performance	342,992	1,334,878	10.00	34,299	133,488
E	In full performance	-	376,505	30.00	-	112,951
F	In full performance	-	77,055	50.00	-	38,527
G	In full performance	474,960	544,561	70.00	332,472	381,193
H	In full performance	151,617	144,940	100.00	151,617	144,940
	In default	8,595	10,552		8,595	10,552
		<u>160,212</u>	<u>155,492</u>		<u>160,212</u>	<u>155,492</u>
TOTAL		<u>3,337,338</u>	<u>5,627,455</u>		<u>552,177</u>	<u>866,599</u>
Current		767,508	605,044		338,024	121,042
Noncurrent		<u>2,569,830</u>	<u>5,022,411</u>		<u>214,153</u>	<u>745,557</u>
TOTAL		<u>3,337,338</u>	<u>5,627,455</u>		<u>552,177</u>	<u>866,599</u>

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5.4) Changes in allowance for losses on debentures

	R\$ thousand	
	2006	2005
Balance at the beginning of the year	866,599	755,822
Addition (reversal)	(313,100)	202,476
Write-off	(1,322)	(91,699)
Balance at the end of the year	<u>552,177</u>	<u>866,599</u>

Effects on income are disclosed in Note 14.

5.5) Disposal of debentures

In August 2006, BNDESPAR performed the installment sale of debentures of VBC Energia, whose book value totaled R\$ 1,057,182 thousand. Since such debentures are convertible, the price negotiated was R\$ 1,220,615 thousand, installments restated based on long-term interest rate (TJLP) + 2.5% p.a., which resulted in a financed gain of R\$ 163,433 thousand. The balance financed is now recorded under installment sales of securities.

6. Installment Sale of Securities

Information on installment sale of securities is summarized below:

	R\$ thousand	
	2006	2005
Gross amount	4,269,005	4,708,093
Allowance for loan losses	(138,850)	(214,894)
Net amount	<u>4,130,155</u>	<u>4,493,199</u>
Current	674,076	1,713,731
Noncurrent	3,456,079	2,779,468
Total	<u>4,130,155</u>	<u>4,493,199</u>

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

	R\$ thousand	
	2006	2005
Public Sector	2,327,383	2,810,506
Private Sector		
Industrial production	1,602,341	853,746
Financial intermediation	100,578	156,346
Other services	238,703	887,495
	1,941,622	1,897,587
Total	4,269,005	4,708,093

6.2) Breakdown of portfolio (gross figures) by maturity

	R\$ thousand	
	2006	
Past due	-	
Current:		
2007	696,737	
2008	278,651	
2009	320,554	
2010	1,938,803	
2011	201,216	
Thereafter	833,044	
Total	4,269,005	

	R\$ thousand	
	2005	
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	4,708,093	

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6.3) Breakdown of portfolio and allowance for loan losses by risk level and status

Risk	Status	R\$ thousands		%	R\$ thousands	
		Installment sale of securities			Allowance	
		2006	2005		2006	2005
AA	In full performance	2,425,304	3,041,919	0,00	-	-
A	In full performance	318,670	612,762	0.50	1,593	3,064
B	In full performance	4,529	101,150	1.00	45	1,011
C	In full performance	1,280,197	125,475	3.00	38,406	3,764
D	In full performance	1,765	372,698	10.00	177	37,270
E	In full performance	199,873	406,149	30.00	59,962	121,845
H	In full performance	38,667	30,780	100.00	38,667	30,780
	In default	-	17,160	100.00	-	17,160
		<u>38,667</u>	<u>47,940</u>		<u>38,667</u>	<u>47,940</u>
Total		<u>4,269,005</u>	<u>4,708,093</u>		<u>138,850</u>	<u>214,894</u>
Current		696,737	1,795,693		22,661	81,962
Noncurrent		<u>3,572,268</u>	<u>2,912,400</u>		<u>116,189</u>	<u>132,932</u>
Total		<u>4,269,005</u>	<u>4,708,093</u>		<u>138,850</u>	<u>214,894</u>

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

	R\$ thousand	
	2006	2005
Balance at the beginning of the year	214,894	243,785
Addition (reversal)	(76,043)	14,096
Write-off	(1)	(42,987)
Balance at the end of the year	<u>138,850</u>	<u>214,894</u>

Effects on income are disclosed in Note 14.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

7. Investments

7.1) Breakdown of balances

	<u>R\$ thousand</u>	
	<u>2006</u>	<u>2005</u>
Interest valued by the equity method	6,143,134	4,788,614
Interest valued at cost	2,524,000	2,932,579
Total investments in associated companies	8,667,134	7,721,193
Other equity interests	6,254,692	6,441,346
Other investments	12,256	12,256
Total investments	14,934,082	14,174,795

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NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

b) Valued at cost

Investees	Number in thousands of shares held		Equity interest %	R\$ thousand Book value	
	Common	Preferred		2006	2005
	ACESITA	-		12,708	17.05
REDE EMP. ENERGIA (Former-CAIUÁ)	-	45,993	16.18	45,738	45,738
CEAL	64,276	41	18.20	6,880	136,002
ELETRORÁS	66,878,976	-	11.84	2,240,013	2,240,013
		Subtotal		2,444,894	2,574,016
Other companies (net of allowance for losses of R\$ 9,963 at 12.31.2006 and R\$ 7,532 at 12.31.2005).				79,106	358,563
		Total		2,524,000	2,932,579

7.3) Other equity interests

Investees	Number in thousands of shares held		Equity interest %	R\$ thousand Book value	
	Common	Preferred		2006	2005
AMERICEL	-	132,690	0.62	6,782	6,782
ARACRUZ	56,881	40,001	9.38	220,196	220,196
BANCO DO BRASIL	23,604	-	2.86	179,188	353,790
BRASIL TELECOM PART.	1,271,491	11,498,992	3.51	195,899	214,099
BRASIL TELECOM	-	3,481,064	0.62	32,885	37,885
BRASKEM	-	13,650	3.77	57,977	57,977
BCP (formerly TELET)	-	13,324	0.04	8,636	8,636
CBD	-	2,921,109	2.57	115,333	115,333
CEMIG	115,321	2,648,662	1.70	70,881	70,881
CELESC	-	1,558	4.04	39,629	39,629
CESP	-	9,804,196	2.99	139,789	15,720
CPFL ENERGIA	24,789	-	5.17	486,779	444,427
COTEMINAS	-	603,518	9.93	134,005	154,855
CSN	17,086	-	6.28	268,615	268,615
CVRD	100,579	150	4.10	709,886	709,886
EMBRAER	46,713	-	6.31	136,968	136,968
GERDAU	17,105	6,005	3.46	49,096	49,096
PETROBRAS	47,246	287,024	7.62	1,022,685	1,022,685
TELEMAR NORTE LESTE	-	936	0.39	36,535	36,535
VIVO PARTICIPAÇÕES.	64	16,721	1.16	120,172	104,082
TELE NORTE LESTE PART.	775	5,627	1.63	164,599	164,599
TRACTEBEL	18,266	-	2.80	60,078	60,078
VALEPAR	37,125	-	9.47	1,541,987	1,541,987
VOTORANTIM CEL. E PAPEL	-	7,555	3.70	75,042	69,923
		Subtotal		5,873,642	5,904,664
Other companies (net of allowance for Losses of R\$ 95,740 at 12.31.2006 and R\$ 75,958 at 12.31.2005)				381,050	536,682
		Total		6,254,692	6,441,346

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December 31, 2006 and 2005

7.4) Market value of investments

Equity interest is stated at R\$ 14,921,826 thousand, as follows: R\$ 8,667,134 thousand in associated companies (subject and not subject to equity pickup) and R\$ 6,254,692 thousand in other equity interests. Out of that total, approximately 71% (R\$ 10,649,138 thousand) is invested in listed companies, and the remaining amount (R\$ 4,272,688 thousand) in unlisted companies.

At December 31, 2006, the market value of the equity interests was estimated at R\$ 54,704,698 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\$ 45,203,336 thousand.

	R\$ thousand		
	2006		
	Book value	Fair value	Unrealized gain (loss)
Equity interest in Eletrobras	2,240,013	3,397,452	1,157,439
Equity interest in Petrobras	1,022,685	16,807,109	15,784,424
Other interest in listed companies	7,386,440	24,998,775	17,612,335
Equity interest in nonlisted companies*	4,272,688	9,501,362	5,228,674
Total	14,921,826	54,704,698	39,782,872

(*) 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

	R\$ thousand	
	Book value	
	2006	2005
Tax incentive investments	12,256	12,256
Total	12,256	12,256

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8. Onlending

8.1) Breakdown

			R\$ thousand
			2006
	Local currency	Foreign currency	Total
BNDES	7,323,281	99,532	7,422,813
STN	2,647,286	-	2,647,286
Total	9,970,567	99,532	10,070,099
			3,028,747
Current			7,041,352
Noncurrent			10,070,099
Total			10,070,099
			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
Total	13,773,482	1,188,041	14,961,523
			2,687,536
Current			12,273,987
Noncurrent			14,961,523
Total			14,961,523

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 monetary restatement and annual interest of 6%, whose maximum maturity date is November 2010.

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

	<u>R\$ thousand</u>
	<u>2006</u>
Current:	
2007	3,028,747
2008	1,755,914
2009	1,858,730
2010	522,575
2011	811,878
Thereafter	2,092,255
Total	<u>10,070,099</u>

	<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>14,961,523</u>

9. Issue of Debentures

BNDESPAR issued 600,000 simple registered book-entry debentures, non-convertible into shares, in a single series, without guarantee or preference (non-privileged), with a par value of R\$ 1,000.00 per unit, on date of issue, totaling R\$ 600,000 thousand.

This public distribution took place within the First Program of Public Distribution of Debentures of the Issuing Company, as approved in the Board Meeting of BNDES, the sole shareholder of the Issuing Company, held on September 21, 2006, as per BNDES Decision No. Dir. 836/2006, and filed with the Brazilian Securities Commission (CVM), on December 19, 2006, under number CVM/SRE/PRO/2006/0011.

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Debentures were subscribed and paid up at the price of R\$898.33 (eight hundred ninety-eight reais and thirty-three cents) each, corresponding to the par value R\$1,000.00 (thousand reais) per unit, adjusted considering a 10.167% discount, calculated in the process of gathering investment intent.

The unit par value of debentures will be restated as from the date of subscription and payment, at the National Consumer Price Index (IPCA), calculated and disclosed by the Brazilian Institute of Geography and Statistics (IBGE). The product of restatement will be automatically capitalized, according to the formulas provided for in the debenture deed.

Debentures will be subject to the payment of interest of 6% p.a. (six percent per annum), on the restated unit par value of debentures, to be paid at the end of each capitalization period, January 15, 2009, January 15, 2010, January 15, 2011 following and January 15, 2012, as specified in the debenture deed. Amortization will consist of a single installment, on maturity date, January 15, 2012.

10. Income Tax and Social Contribution

10.1) Current

BNDESPAR calculates income and social contribution taxes on the annual taxable income which is subject to monthly payments on an estimated basis, whenever the tax suspension/reduction is not applicable, as provided for in articles 27 to 35 of Law No. 8,981/95, supplemented by Laws No. 9,065/95, 9,249/95, 9,316/96, 9,430/96 and 9,532/97.

At December 31, 2006 and 2005, BNDESPAR recorded provisions for social contribution (at a 9% rate) and income tax (at a 15% rate, plus the 10% surtax). Such provisions were calculated on income before deduction of social contribution and income tax expenses.

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

	R\$ thousands			
	2006		2005	
	Income Tax	Social contribution	Income Tax	Social contribution
Income before taxes	3,822,555	3,822,555	1,376,528	1,376,528
Employee profit sharing	(11,000)	(11,000)	(9,400)	(9,400)
Tax base	<u>3,811,555</u>	<u>3,811,555</u>	<u>1,367,128</u>	<u>1,367,128</u>
Total Income Tax and social contribution expenses at 25% and 9%	952,889	343,040	341,782	123,041
Effect of additions (exclusions) upon calculation of taxes:				
• Allowance for loan losses (BACEN Res. No. 2682/99)	(97,617)	(35,142)	31,467	11,328
• Actuarial liabilities – FAMS	4,768	1,716	1,878	676
• Dividends from investments valued at cost	(144,608)	(52,059)	(93,730)	(33,742)
• Loans written off as losses	(28,557)	(10,281)	(38,843)	(13,983)
• Equity pickup in associated companies	(136,034)	(48,972)	(86,680)	(31,205)
• Exchange of marketable securities	1,945	700	176,204	63,434
• Premium amortization, net of realization	23,002	15,301	(26,720)	3,099
• Valuation allowance for securities	52,143	18,772	73,563	26,483
• Write-off of credits barred by the statute of limitations	164	59	-	-
• Provision for labor and civil contingencies	3,081	1,109	97,244	35,008
• Write-offs and depreciation – IPC/BTNF	-	14	-	4,382
• Other additions, exclusions and offset, net	(333)	144	(2,553)	(435)
Accrued income and social contribution taxes	<u>630,843</u>	<u>234,401</u>	<u>473,612</u>	<u>188,086</u>

The balance payable is stated as follows:

	R\$ thousand	
	2006	2005
Income and social contribution taxes:		
. Provision		
Income tax	630,843	473,612
Social contribution	234,401	188,086
	<u>865,244</u>	<u>661,698</u>
. Prepayments		
Income tax	(546,375)	(415,495)
Social contribution	(210,505)	(164,476)
	<u>(756,880)</u>	<u>(579,971)</u>
Income tax and social contribution payable	<u>108,364</u>	<u>81,727</u>

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Recoverable taxes and contributions and prepayments are as follows:

	R\$ thousand	
	2006	2005
Income tax (IR) paid in excess in prior years	17,434	197,532
Withholding Income Tax (IRRF) on fixed income investments	125,733	27,565
IRRF on variable income investments	7,799	4,852
IRRF on interest on shareholders' equity	105,019	51,905
Prepayments – Audiovisual Incentive	2,770	-
Other	3,230	1,122
Total	261,985	282,976
Current	261,985	282,976
Noncurrent	-	-
	261,985	282,976

10.2) Deferred Taxes

	R\$ thousand	
	2006	2005
. Breakdown of deferred tax credits: (assets)		
Premium amortization	133,927	95,919
Loans written off as losses	26,584	65,421
Provision for devaluation of variable income securities	156,149	148,946
Provision for labor and civil contingencies	147,329	143,138
Exchange of marketable securities	239,638	239,638
Provision for employee's profit sharing	3,740	3,197
Total	707,367	696,259
Current	307,120	48,302
Noncurrent	400,247	647,957
	707,367	696,259
	R\$ thousand	
	2006	2005
. Breakdown of deferred taxes: (liabilities)		
Discount amortization	8,153	8,153
Total	8,153	8,153
Current	-	-
Noncurrent	8,153	8,153
	8,153	8,153

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In accordance with CVM Resolution No. 273/98, the Company recorded deferred tax assets 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, 2006, the matching entry of the provisions for income tax and social contribution in the amount of R\$ 19,841 thousand and R\$ 8,732 thousand, respectively, was credit and debt to income (R\$ 260,906 thousand credit to income in 2005 and R\$ 108,310 thousand).

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 11.a) and civil proceedings (Note 11.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 credit 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.

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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			
	12/31/2005	Recorded	Realized	12/31/2006
Deferred tax credits:				
.Premium amortization	95,919	61,358	(23,350)	133,927
.Loans written off as losses	65,421	450	(39,287)	26,584
.Valuation allowance for securities	148,946	77,251	(70,048)	156,149
.Provision for labor and civil contingencies	143,138	9,506	(5,315)	147,329
.Provision for employee's profit sharing	3,197	3,740	(3,197)	3,740
.Exchange of securities	239,638	-	-	239,638
	696,259	152,305	(141,197)	707,367
Deferred tax liabilities:				
.Discount amortization	8,153	-	-	8,153
	8,153	-	-	8,153

	R\$ thousand			
	12/31/2004	Recorded	Realized	12/31/2005
Deferred tax credits:				
.Premium amortization	130,142	8,882	(43,105)	95,919
.Loans written off as losses	122,905	45,786	(103,270)	65,421
.Valuation allowance for securities	61,781	109,156	(21,991)	148,946
.Provision for labor and civil contingencies	8,874	145,151	(10,887)	143,138
.Provision for employee's profit sharing	3,341	3,197	(3,341)	3,197
.Exchange of securities	-	239,638	-	239,638
	327,043	551,810	(182,594)	696,259
Deferred tax liabilities:				
.Discount amortization	8,153	-	-	8,153
	8,153	-	-	8,153

Deferred tax credits not recorded in 2006 totaled R\$ 446,773 thousand (R\$ 520,030 thousand in 2005). This amount substantially refers to the allowance for loan losses, calculated in conformity with BACEN Resolution No. 2682/99, valuation allowance - variable income securities, provision for health care expenses – FAMS and valuation allowance for securities arising from tax incentives (FINOR), on which tax credits are not recognized due to lack of expectation of their realization. In accordance with BACEN Resolution No. 3059/02, tax credits can only be established on the portion realizable in no later than 5 years. This period was changed to 10 years through BACEN Resolution No. 3355/06. However, the prospect of 5 years has been conservatively maintained for the realization of tax credits, and these amounts, either will be realized in a period longer than such term, or there is no expectation for their realization.

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

	R\$ thousand						
	2007	2008	2009	2010	2011	After 2011	Total
Valuation allowance for securities	50,403	1,228	48,455	1,221	15,551	39,291	156,149
Loans written off	9,061	-	-	17,073	450	-	26,584
Premium amortization	96,956	1,101	412	25,682	1,447	8,329	133,927
Employee's profit sharing	3,740	-	-	-	-	-	3,740
Unrealized gain on securities	-	13,710	-	225,928	-	-	239,638
Provision for labor and civil contingencies	146,960	299	46	24	-	-	147,329
	307,120	16,338	48,913	269,928	17,448	47,620	707,367
Discount amortizations	-	-	-	-	-	8,153	8,153
	-	-	-	-	-	8,153	8,153

The present value of deferred tax credits recorded, calculated on the average funding rate, totaled R\$ 615,142 thousand.

In accordance with Resolution No. 3,059/02, article 5, the assets corresponding to the portion of deferred tax credits must be written off whenever the amounts effectively realized in two consecutive periods are less than 50% of the amounts forecast for the same period as per a technical study prepared by the institution. The provisions of this article are not applicable to tax credits recorded before the date in which such Resolution took effect. At December 31, 2006 write-offs of such nature have not been made. The deferred tax credits recorded after the effective date of the Resolution amounted to R\$ 612,176 thousand.

11. 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 losses categories: probable, possible and remote, taking into consideration the possibility of losses based on the opinion of internal and external legal advisors, who analyse the nature of the proceedings, similarity with previous cases, complexity of cases, case law and the status of the proceedings.

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The adoption of such classification criterion follows CVM Deliberation No. 489, of October 3, 2005, on contingencies, which recommends that a provision shall be recorded in the total amount of those contingencies assessed as probable and a disclosure shall be made on those assessed as possible.

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

Breakdown of the provisions by nature is as follows:

	R\$ thousand	
	2006	2005
Labor claims	5,304	20,937
Civil proceedings	428,017	400,062
Total	433,321	420,999
Current	432,233	5,257
Noncurrent	1,088	415,742
Total	433,321	420,999

a) Labor claims

The provision for labor claims refers, substantially, to reinstatement of terminated employees.

Changes in the provision for labor claims are as follows:

	R\$ thousand	
	2006	2005
Balance at the beginning of the year	20,937	30,188
Payments	(75)	-
Reversal, net	(15,558)	(9,251)
Balance at the end of the year	5,304	20,937

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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), particularly, a proceeding filed in 1995, related to a privatization auction held in 1989, whose court-of-appeals decision favorable to BNDESPAR was modified, and accrued in 2005, in addition to proceedings related to contractual issues. Changes in civil contingencies are as follows:

	R\$ thousand	
	2006	2005
Balance at the beginning of the year	400,062	1,833
Additions , net	27,955	398,229
Balance at the end of the year	428,017	400,062

12. Shareholders' equity

At December 31, 2006 and 2005, 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 2006, in the amount of R\$ 2,957,420 thousand, to the recording of a legal reserve of R\$ 147,871 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\$ 702,387 thousand.

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13. Transactions with the Parent Company

Transactions with Parent Company are conducted at usual market amounts, terms and average rates, in force on the related dates, and in commutative conditions. Transactions between the companies included in the consolidation, were eliminated from consolidated statements and consider the lack of risk.

	R\$ thousand	
	BNDES	
	2006	2005
Assets		
Installment sale of securities		
Local currency	2,294,738	2,747,630
Liabilities		
Onlending transactions		
Local currency	(7,323,281)	(8,996,391)
Foreign currency	(99,533)	(919,943)
	(7,422,814)	(9,916,334)
Revenues:		
Installment sale of securities		
Local currency	282,844	309,075
Expenses:		
Onlending transactions		
Local currency	(274,464)	(281,607)
Foreign currency	27,167	71,236
	(247,297)	(210,371)

14. Expense Related to Allowance for Loan Losses (Reversal)

	R\$ thousand	
	2006	2005
Addition (reversal) on debentures, net	(313,100)	202,476
Installment sale of securities, net	(76,043)	14,096
Recovery of loans written off	(14,215)	(179,024)
Expense (reversal) recorded, net	(403,358)	37,548

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NOTES TO FINANCIAL STATEMENTS

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15. Employee Benefits

15.1) 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, 2006, the deficit difference before credits to sponsor, between the guaranty asset and the actuarial commitment was calculated at R\$ 4,985 thousand (R\$ 39,704 thousand in 2005), equivalent to 0.71% (6.52% in 2005) of total guaranty assets of FAPES. This actuarial liability is covered by Accounts Payable – FAPES (Note 15.2) 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\$ 103,298 thousand (R\$ 60,643 thousand in 2005), equivalent to 14.76% (9.97% in 2005) 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, 2006. The amounts were restated through December 31, 2006 considering an annual actuarial interest of 6% and monetary restatement pegged to the INPC.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

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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	
	2006	2005
Payroll	44,297	43,194
Contributions from participants	5,332	5,015
Contribution from sponsors	5,332	5,015

15.2) 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	
	2006	2005
2002 Contracts (a)	70,419	64,482
2004 Contracts (b)	37,864	35,865
Total	108,283	100,347
Current	3,054	2,716
Noncurrent	105,229	97,631
Total	108,283	100,347

(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. 10556 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.

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15.3) Other benefits granted to employees

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, 2006, 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.

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

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	R\$ thousand	
	2006	2005
Actuarial obligation to active participants	66,495	66,970
Actuarial obligation to assisted participants	52,079	47,105
Actuarial obligation amount	118,574	114,075
Unrecognized actuarial losses	(27,188)	(41,761)
Net actuarial liabilities	91,386	72,314
Current	3,509	2,854
Noncurrent	87,877	69,460
Total	91,386	72,314
		R\$ thousand
Net expense for the year:	2006	2005
Current service cost	2,292	1,633
Interest cost	12,207	7,545
Unrecognized actuarial losses, net	6,071	-
Total	20,570	9,178

b) Other benefit expenses

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

	R\$ thousand	
	2006	2005
Subsidized transportation	83	82
Meal tickets	1,386	1,226
Daycare centers	50	81
Total	1,519	1,389

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

15.4) Results of actuarial valuation of retirement and pension plan

	R\$ thousand	
	2006	2005
Changes in fair value of plan assets:		
Fair value of plan assets at the beginning of the year	608,535	492,058
Estimated return on plan assets	65,140	29,369
Contributions made to the Fund *	17,904	15,816
Benefits paid	(25,504)	(21,030)
Actuarial gain on plan assets at the beginning of the year	34,000	92,322
Fair value of plan assets at the end of year (1)	700,075	608,535
Changes in actuarial obligation:		
Present value of actuarial obligation at the beginning of the year	606,709	532,382
Interest cost	35,649	31,321
Current service cost	12,676	12,981
Benefits paid	(25,504)	(21,030)
Actuarial loss on actuarial obligation at the beginning of the year	61,566	51,055
Present value of actuarial obligation at the end of the year (2)	691,096	606,709
(3) Fair value of assets in excess of present value of obligations (1 - 2)	8,979	1,826
(4) Unrecognized actuarial losses	(13,964)	(41,530)
(5) Actuarial liabilities before sponsor's credits, net (3+4)	(4,985)	(39,704)
(6) Sponsor's credits	108,283	100,347
Ending actuarial assets, net (5+6)	103,298	60,643

* Includes R\$ 7,240 thousand, in 2006, and R\$ 5,786 thousand, in 2005, from other contributions.

	R\$ thousand	
	2006	2005
Net expense (income) for the year		
Current service cost	12,676	12,981
Interest cost	35,649	31,321
Estimated return on plan assets	(65,140)	(29,369)
Contributions made from participants	(3,803)	(3,427)
Total	(20,618)	11,506

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NOTES TO FINANCIAL STATEMENTS December 31, 2006 and 2005

The main assumptions adopted in the actuarial valuation were:

Type	Specification	
	2006	2005
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-2000
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:	2.443% and 2.955% p.a. for assistants and technicians, respectively, up to 51 years and nil after 51 years	0.942% and 2.923% p.a. for assistants and technicians, respectively, up to 51 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 4.5% restatement	Interest of 6% p.a. plus 5% of restatement
Yield rate expected on the plan assets:	Interest of 6% p.a. plus 4.5% restatement	Interest of 6% p.a. plus 5% of restatement

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December 31, 2006 and 2005

16. Counter-Guarantees Provided

The Company pledged 7,744,038 registered preferred shares issued by Petróleo Brasileiro S/A – PETROBRAS (subsequently split into 30,976,152 preferred shares) 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 sole 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 transaction totaling US\$ 300 million.

Considering the investor statutory exercise options in June 2004, BNDESPAR amortized the principal amount by US\$ 186 million. On June 14, 2006, BNDESPAR settled the remaining balance and requested from the escrow financial institution the necessary procedures to unblock EMBRAER's shares.

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NOTES TO FINANCIAL STATEMENTS
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BOARD OF DIRECTORS:

LUIZ FERNANDO FURLAN – Chairman

DEMIAN FIOCCA

JUAN MANUEL QUIRÓS SADIR

RENÊ DE OLIVEIRA GARCIA JÚNIOR

ROBERTO TEIXEIRA DA COSTA

CLARA LEVIN ANT

SUPERVISORY BOARD:

EDUARDO COUTINHO GUERRA

ARNIN LORE

LUIZ FERNANDO JULIO

NINA MARIA ARCELA – Deputy Member

JOSÉ FERNANDO MONTEIRO ALVES – Deputy Member

ANTONIO PEDROSA PARRACHO – Deputy Member

EXECUTIVE BOARD:

DEMIAN FIOCCA – Chief Executive Officer

ARMANDO MARIANTE CARVALHO JÚNIOR –Director

ANTÔNIO BARROS DE CASTRO – Director

ELVIO LIMA GASPAR – Director

EDUARDO RATH FINGERL - Director

MAURÍCIO BORGES LEMOS – Director

WAGNER BITTENCOURT DE OLIVEIRA – Director

BNDES PARTICIPAÇÕES S.A. - BNDESPAR

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December 31, 2006 and 2005

SUPERINTENDENCE OF THE FINANCIAL AREA:

MARIA ISABEL REZENDE ABOIM

HEAD OF THE ACCOUNTING DEPARTMENT:

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