

*(Convenience Translation into English from the
Original Previously Issued in Portuguese)*

WWF - BRASIL

*Financial Statements for the Years Ended
December 31, 2005 and 2004
and Independent Auditors' Report*

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Management of
WWF - Brasil
Brasília - DF

1. We have audited the accompanying balance sheets of WWF - Brasil (a non-profit organization) as of December 31, 2005 and 2004, and the related statements of income and expenses, changes in net assets, and changes in financial position for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Entity's management. Our responsibility is to express an opinion on these financial statements.
2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Entity, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.
3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the financial position of WWF - Brasil as of December 31, 2005 and 2004, and its income and expenses, the changes in net assets, and the changes in its financial position for the years then ended in conformity with Brazilian accounting practices.
4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, February 14, 2006



DELOITTE TOUCHE TOHMATSU
Auditores Independentes



Gilberto Grandolpho
Engagement Partner

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WWF - BRASIL

BALANCE SHEETS AS OF DECEMBER 31, 2005 AND 2004
(In thousands of Brazilian reais - R\$)

<u>ASSETS</u>	<u>Note</u>	<u>2005</u>	<u>2004</u>	<u>LIABILITIES AND NET ASSETS</u>	<u>Note</u>	<u>2005</u>	<u>2004</u>
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and banks	3	92	645	Commitments to third parties		113	192
Temporary cash investments	4	9,744	3,295	Advances for future projects	7	5,639	2,087
Receivables from donors	5	1,066	4,661	Payroll and related charges		795	605
Sundry advances		361	217	Other payables		493	259
Operating supplies		140	44	Total current liabilities		<u>7,040</u>	<u>3,143</u>
Total current assets		<u>11,403</u>	<u>8,862</u>				
LONG-TERM ASSETS				LONG-TERM LIABILITIES			
Receivables		<u>19</u>	<u>19</u>	Payables to WWF network	8	<u>231</u>	<u>61</u>
PERMANENT ASSETS				NET ASSETS			
Fixed assets, net	6	<u>1,531</u>	<u>1,015</u>	Net assets		6,692	7,092
				Accumulated deficit		<u>(1,010)</u>	<u>(400)</u>
				Total net assets		<u>5,682</u>	<u>6,692</u>
TOTAL ASSETS		<u><u>12,953</u></u>	<u><u>9,896</u></u>	TOTAL LIABILITIES AND NET ASSETS		<u><u>12,953</u></u>	<u><u>9,896</u></u>

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

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WWF - BRASIL

STATEMENTS OF INCOME AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands of Brazilian reais - R\$)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Income from project-related donations	9	<u>32,333</u>	<u>22,027</u>
Contributions from WWF Family		28,470	14,043
Donations from corporations		75	23
Foundations		509	3,917
Bilateral and multilateral agencies		3,279	4,044
Income from other donations		<u>347</u>	<u>745</u>
Income from sales		<u>135</u>	<u>112</u>
Sale of products		181	142
(-) Deductions and taxes		(46)	(30)
Income from royalties		<u>64</u>	<u>87</u>
Partnerships and corporate club		<u>390</u>	
Other income		<u>1,040</u>	<u>161</u>
Total income		<u>34,309</u>	<u>23,132</u>
Operating expenses	10	<u>(34,731)</u>	<u>(23,223)</u>
Payroll and related charges	11	(7,314)	(5,503)
General and administrative	12	(5,886)	(4,433)
Cost of projects	13	(21,531)	(13,287)
Financial income (expenses)	14	<u>(577)</u>	<u>(283)</u>
Financial income		2,980	216
Financial expenses		(3,557)	(499)
Nonoperating expenses, net		(11)	(26)
Deficit for the year		<u><u>(1,010)</u></u>	<u><u>(400)</u></u>

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WWF - BRASIL

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands of Brazilian reais - R\$)

	<u>Net assets</u>	<u>Accumulated surplus (deficit)</u>	<u>Total</u>
BALANCES AS OF DECEMBER 31, 2003	5,248	1,844	7,092
Transfer of surplus to net assets	1,844	(1,844)	
Deficit for the year		(400)	(400)
BALANCES AS OF DECEMBER 31, 2004	<u>7,092</u>	<u>(400)</u>	<u>6,692</u>
Transfer of deficit to net assets	(400)	400	
Deficit for the year		(1,010)	(1,010)
BALANCES AS OF DECEMBER 31, 2005	<u><u>6,692</u></u>	<u><u>(1,010)</u></u>	<u><u>5,682</u></u>

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WWF - BRASIL

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands of Brazilian reais - R\$)

	<u>2005</u>	<u>2004</u>
SOURCES OF FUNDS		
From third parties:		
Increase in long-term liabilities	170	61
TOTAL SOURCES	<u>170</u>	<u>61</u>
USES OF FUNDS		
In operations:		
Deficit for the year	1,010	400
Depreciation	(362)	(252)
Net book value of permanent assets written off	(17)	(14)
	<u>631</u>	<u>134</u>
In permanent assets	895	619
TOTAL USES	<u>1,526</u>	<u>753</u>
DECREASE IN WORKING CAPITAL	<u>(1,356)</u>	<u>(692)</u>
REPRESENTED BY:		
Current assets		
At end of year	11,403	8,862
At beginning of year	8,862	12,075
Increase (Decrease)	<u>2,541</u>	<u>(3,213)</u>
Current liabilities		
At end of year	7,040	3,143
At beginning of year	3,143	5,664
Increase (Decrease)	<u>3,897</u>	<u>(2,521)</u>
DECREASE IN WORKING CAPITAL	<u>(1,356)</u>	<u>(692)</u>

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

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WWF - BRASIL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2005

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONS

WWF - Brasil (the “Entity”) is a non-profit organization founded in July 1988, originally headquartered in São Paulo, as part of WWF, the world’s largest environmental conservation network.

In conformity with the minutes of the Extraordinary General Meeting on August 30, 1996, Associação WWF-Brasil’s name was changed to WWF-Brasil, as an independent Brazilian organization.

Within its basic principles, the Entity is engaged in the following principal activities:

- a) Promote the preservation of parks and biological reserves;
- b) Promote the sustainable use of natural resources;
- c) Promote environmental education in Brazil;
- d) Strengthen environmental development, expanding the capacity to interact in the environmental movement;
- e) Foster agricultural policies and the rational use of soil;
- f) Biodiversity analysis;
- g) Promote the development of extractive and indian reserves; and
- h) Contribute to the reduction of pollution and waste.

Most of the Entity’s funds come from donations from the WWF network, which, in turn, receives donations mainly from individuals who contribute part of their resources to nature conservation. Other funds are provided from different sources, including the private sector, foundations and bilateral/multilateral assistance agencies.

WWF - World Wide Fund for Nature

WWF is one of the world’s largest non-governmental environmental conservation network. Founded in 1961 in Switzerland, where its general secretariat is located, as of December 31, 2005 WWF has over 5 million members and about 2,000 projects all over the world. In addition to allocating funds to projects, WWF provides technical service and training. For this purpose, WWF has multidisciplinary teams in areas such as conservation science, rain forests, oceans, pollution, among others. WWF also has specialists in environmental education and solutions for environmental conflicts.

WWF - Brasil has 9,500 affiliate members, of whom 1,955 (unaudited information) are active and work mainly in the Amazon Forest, Cerrado Savannah, Pantanal wetlands and Atlantic Forest, having conducted 35 projects in 2005, directly or through partnership.

Beginning in July 2005, the new agreements entered into with WWF network donators started to have their budgets and rendering of accounts prepared in Brazilian reais, with the purpose of protect WWF - Brasil against exchange fluctuation.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING PRACTICES

The financial statements have been prepared in accordance with Brazilian accounting practices applicable to non-profit entities - NBCT 10 and Resolution No. CFC 877/00, and the following significant accounting practices:

a) Cash and banks

Represented by cash and bank balances in Brazil and abroad, plus exchange variation through the balance sheet date. Balances abroad refer to foreign donations not yet remitted to Brazil.

b) Temporary cash investments

Represented by short-term investments in Brazil and abroad, plus income earned and exchange variation through the balance sheet date.

c) Fixed assets

Stated at acquisition cost, monetarily restated through December 31, 1995, less depreciation calculated under the straight-line method, at the annual rates stated in Note 6.

d) Advances for future projects

Represented by the Entity's commitment to use the funds received in projects sponsored by the donors. Every three months, a report is prepared in order to evidence the use of funds in the respective projects. In the event not all funds are used, they may be allocated to another project or returned to the donor. In the event a project's expenses exceed the advance from the donor, the difference is recorded in assets under the heading "Receivables from donors". Management and foreign donors previously define the exchange rates to be used for the translation of the initial budget into Brazilian reais. Upon the rendering of accounts, WWF - Brasil reports the expenses incurred in the quarter, translated at the weighted average exchange rate of the donations received in the same period. When no donations are received, the budget exchange rate, agreed with the donator, will be used. As described in note 1 above, WWF network changed this procedure for the new agreements entered into beginning in July 2005, with the purpose of protect WWF - Brasil against exchange fluctuation.

e) Recognition of expenses with project and other expenses

Project expenses are recorded only when the operating department accepts the services performed by third parties and authorizes their payment. The amount recorded in liabilities represents payments authorized and not yet made. This procedure is essentially the cash basis accounting, which is adopted due to the following aspects:

- The Entity's main purpose is to invest as much as possible of donated funds in environmental conservation and related projects. Accordingly, the adoption of administrative controls for the sole purpose of presenting results in accordance with agreement schedules, on an accrual basis requires WWF - Brasil to use more administrative resources to manage and monitor the controls;
- WWF - Brasil's operating activities are basically managed and monitored on a cash basis. This procedure is required by fund donors, who establish that rendering of accounts should be based on amounts actually paid; and
- The procedure of recording project expenses on the cash basis facilitates daily operations in the process of rendering of accounts to donors.

The procedure adopted establishes that project expenses are approved for payment after acceptance of services by partners. The amount recorded in liabilities represents payments authorized and not yet made.

Under accounting practices adopted by WWF - Brasil, income from projects is recorded upon allocation of expenses to the respective projects. Thus, the change in the accounting practice described above does not affect the Entity's net result, and affects only the recorded amounts of expenses and income and payables to partners and donors. Since project execution is monitored and related payments generally occur soon after the performance of services, the effect of understatements on the balance sheet and statement of income and expenses accounts and balance sheets is not material to the financial statements.

Other expenses are recorded on an accrual basis.

f) Recognition of income

Income from donations is recognized upon use of the funds in projects as described in item "e" above. Donations received but not yet used in projects are recorded as "Advances for future projects". Income from institutional donations, as well as from the sale of products, is not significant and is recorded as income upon receipt.

g) Other payables

Stated at known or estimated amounts, plus, when applicable, the respective charges and monetary variations incurred.

h) Taxes

Since the Entity is a non-profit organization, it is exempt from taxes on income and sales.

i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions, based on their best judgment, that affect the reported amounts of assets and liabilities, and the amounts of income, costs and expenses. Actual results may differ from those estimates.

3. CASH AND BANKS

Refers substantially to bank accounts in Brazil and abroad, as follows:

<u>Description</u>	<u>2005</u>	<u>2004</u>
Cash	33	15
Citibank - Brazil	503	191
Banco do Brasil - Brazil	252	203
Citibank - Washington, USA	143	-
Bank Boston - Brazil	17	307
Banco Safra - Luxembourg	4	-
Amounts in transit	(860)	(17)
Total	<u>92</u>	<u>645</u>

The amounts recorded under the caption "Amounts in transit" refer to funds transferred from foreign bank accounts to bank accounts in Brazil, pending at the balance sheet date.

4. TEMPORARY CASH INVESTMENTS

Comprised as follows:

<u>Investments:</u>	<u>2005</u>	<u>2004</u>
In Brazil	37	32
Abroad	<u>9,707</u>	<u>3,263</u>
Total	<u>9,744</u>	<u>3,295</u>

The Entity's management adopts a conservative cash management policy, investing funds available in Brazil in financial investment funds with average redemption period in the short term.

Funds invested abroad are subject to exchange variation, plus an average interest of 1.85% per year (1.50% in 2004).

5. RECEIVABLES FROM DONORS

Refers to receivables from donors under agreements for costs incurred in the projects, as follows:

<u>Description</u>	<u>2005</u>	<u>2004</u>
WWF - US	682	3,083
WWF - UK	207	1,185
USAID	76	-
World Bank	47	10
WWF - International	39	44
WWF - Switzerland	8	142
WWF - Sweden	1	-
WWF - Netherlands	-	156
Other	<u>6</u>	<u>41</u>
Total	<u>1,066</u>	<u>4,661</u>

6. FIXED ASSETS

		<u>2005</u>			<u>2004</u>
	Annual depreciation <u>rates</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>
Machinery and equipment	20%	410	273	137	128
Furniture and fixtures	10%	362	134	228	158
Computers and peripherals	20%	1,184	652	532	481
Software	20%	504	207	297	193
Vehicles	20%	431	117	314	28
Dirigible balloons	10%	<u>28</u>	<u>5</u>	<u>23</u>	<u>27</u>
Total		<u>2,919</u>	<u>1,388</u>	<u>1,531</u>	<u>1,015</u>

7. ADVANCES FOR FUTURE PROJECTS

Refers to amounts received from donors that have not yet been used in the respective projects, as follows:

<u>Description</u>	<u>2005</u>	<u>2004</u>
European Union	2,035	-
WWF - United States	1,689	439
WWF - England	961	46
WWF - Netherlands	557	596
British Embassy	206	104
WWF - Switzerland	143	-
Ford Foundation	-	504
USAID	-	225
Other	<u>48</u>	<u>173</u>
Total	<u>5,639</u>	<u>2,087</u>

8. PAYABLES TO WWF NETWORK

The WWF network establishes for affiliated organizations annual payments related to network administration and marketing, calculated based on adjusted annual revenue and payable over a two-year period, without monetary restatement or interest. As of December 31, 2005, the amount of R\$ 231 is recorded in current liabilities, under "Other payables", and R\$ 231 in long-term liabilities, under "Payables to WWF network".

9. INCOME FROM PROJECT-RELATED DONATIONS

Donor	<u>2005</u>	<u>2004</u>
Contributions from WWF Family		
WWF - US	19,354	3,948
WWF - UK	5,362	4,678
WWF - Netherlands	2,765	3,451
WWF - International	400	489
WWF - Switzerland	280	359
WWF - Brazil	194	437
WWF - Sweden	115	646
WWF - Finland	-	29
WWF - Japan	-	6
	<u>28,470</u>	<u>14,043</u>
Donations from corporations	75	23
FORD Foundation	509	3.917
Bilateral and multilateral agencies		
USAID	2,498	3,725
European Union	471	-
British embassy	224	-
World Bank	83	163
Japanese embassy	3	133
IDB (Inter-American Development Bank)	-	23
	<u>3,279</u>	<u>4,044</u>
Total	<u>32,333</u>	<u>22,027</u>

10. OPERATING EXPENSES

Breakdown is as follows:

<u>Programs</u>	2005			<u>Total</u>	<u>2004</u> <u>Total</u>
	<u>Payroll</u>	<u>General and administrative expenses</u>	<u>Project investment costs</u>		
Amazon	1,346	1,087	15,507	17,940	10,117
Amazon Protected Areas	1,459	923	3,153	5,535	2,742
Administrative/Operating	2,218	2,368	254	4,840	3,455
Fresh water	888	718	1,453	3,059	3,060
Pantanal Wetlands	625	253	278	1,156	1,964
Atlantic Forest	175	129	348	652	980
Dialogues	64	4	426	494	-
Agriculture	212	91	20	323	372
Climate changes	102	107	56	265	24
Trade and environment	184	74	3	261	176
Cerrado Savannah	26	92	15	133	187
Public policies	15	38	15	68	98
Environmental education		2	3	5	21
Ecotourism	-	-	-	-	27
Total	<u>7,314</u>	<u>5,886</u>	<u>21,531</u>	<u>34,731</u>	<u>23,223</u>

11. PAYROLL AND RELATED CHARGES

<u>Description</u>	<u>2005</u>	<u>2004</u>
Salaries	4,004	2,947
Social security contribution (INSS)	1,019	757
Accrued vacation and related charges	618	478
13th salary and related charges	465	352
Meal tickets	374	295
Severance pay fund (FGTS)	354	312
Health and dental care	310	243
Other	<u>170</u>	<u>119</u>
Total	<u>7,314</u>	<u>5,503</u>

12. GENERAL AND ADMINISTRATIVE EXPENSES

<u>Description</u>	<u>2005</u>	<u>2004</u>
Travel and lodging	1,771	1,223
General expenses	949	734
Outside services	766	782
Promotion and marketing	660	373
Communication	456	296
Rent and electricity	387	258
Asset maintenance and conservation	385	342
Depreciation	362	253
Tax	<u>150</u>	<u>172</u>
Total	<u>5,886</u>	<u>4,433</u>

13. COST OF PROJECTS

<u>Description</u>	<u>2005</u>	<u>2004</u>
FUNBIO - Protected Area Fund	8,594	2,303
FUNBIO (Brazilian Biodiversity Fund)	1,706	824
IPAM (Amazon Environment Research Institute)	954	478
CTA (Amazon Workers Center)	927	632
SOS Amazon	819	613
Kanindé (Association for Ethnoenvironmental Protection)	580	620
Fundação Djalma Batista	490	-
ICV (Life Center Institute)	435	-
FSC (Forest Stewardship Council)	407	372
IPÊ (Ecological Research Institute)	380	314
IESA (Brazilian Institute for Social-Environmental Studies)	274	-
Cooperfloresta (Cooperative of Community Forest Producers)	256	-
CIDEMA (Intermunicipal Consortium for the Integrated Development of Miranda and Apa River Basins)	237	245
5 Elementos Instituto Educação	215	-
CALSJ (São João Environmental Consortium)	203	129
SEATER (Technical Assistance and Agroforest Extension Department)	164	136
IDS (Social Development Institute)	117	162
IEB (International Education Institute of Brazil)	60	156
ECOTROPICA (Tropical Life Support Foundation)	43	201
ABPO (Brazilian Association of Organic Cattle Raising)	24	96
AMLG (Golden Lion Tamarin Association)	8	169
IMAZON (Man and Environment Institute of the Amazon Region)	-	330
BIOMA (Foundation Institute of Western Amazon Ecosystem Biodiversity and Management)	-	224
Belfort Eventos	-	176
ECOPORE (Guapore Ecological Action)	-	148
NAWA Intitute for the Development of Self-sustainable	-	141
JUPARÁ (Jupara Culture and Ecology Foundation)	-	29
(*) Other partners	<u>4,638</u>	<u>4,789</u>
Total	<u>21,531</u>	<u>13,287</u>

(*) The caption "Other partners" in 2005 is composed by 145 projects, whose individual amounts are lower than R\$ 100,000.00. In 2004, the number of such projects was 124.

This caption comprises transfers of funds from the Entity to third parties, received from sponsors and donors for implementation of programs/projects. All transfers are denominated in Brazilian reais and performed through bank deposits to the contracted party, in accordance with the Entity's internal procedures and requirements established in the agreements between the Entity and respective sponsors/donors. The contracted party prepares reports on technical and financial costs to meet the sponsor's requirements. At the end of each annual agreement, a report is prepared to evidence the use of funds in the respective projects. In the event not all funds are used, they should be returned to the Entity or be allocated as advance for future agreements, as long as the continuity of the work contracted by the Entity has been provided for in the agreement. Any amount considered not acceptable according to contractual clauses and the budget may also be disallowed. Agreements entered into with a single partner exceeding R\$ 100 per year are subject to audit by the Entity, regardless of the sponsor's request.

14. FINANCIAL INCOME (EXPENSES)

Description	<u>2005</u>	<u>2004</u>
Financial income		
Exchange variation	2,828	
Discounts received	78	55
Investment yield	<u>74</u>	<u>161</u>
Total	2,980	216
Financial expenses		
Exchange variation	(3,505)	(490)
Bank fees, interest, fines and other fees	<u>(52)</u>	<u>(9)</u>
Total	<u>(3,557)</u>	<u>(499)</u>
Total financial income (expenses)	<u>(577)</u>	<u>(283)</u>

15. COMMITMENTS

The Entity operates with donors who enter into agreements with the Entity for performance of projects. For these projects, there is a budget of funds to be received from donors and for use in the projects. Accordingly, the donor and the Entity agree to perform the project strictly in accordance with the agreement. Thus, for the purpose of management monitoring and control, the Entity has a list of such agreements by donor showing the amounts pending receipt and/or performance.

As described in Note 2 (e), the amounts related to the agreements with donors are not accounted for upon signing of the contracts, but only upon receipt or use in the projects.

WWF - Brasil

The list, by program and donor, as of December 31, 2005, and the respective amounts involved are as follows:

<u>Program</u>	<u>Donator</u>	<u>R\$</u>
Amazon Protected Áreas	WWF - US	26,206
Amazon	WWF - US	8,661
Pantanal Wetlands	WWF - Netherlands	4,892
Amazon	USAID	4,644
Fresh water	WWF - UK	3,533
Amazon	WWF - Netherlands	2,052
Other		<u>2,821</u>
Total		<u>52,809</u>
