



BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

Sworn Translator - Reg. No. 3 / JCDF - Address:
SHIN QL 2 - Conj. 4 - Casa 1 - Tel.: 468-4466.
SCS - Edifício Gilberto Salomão - Sala 413 - Brasília-DF - Brazil
Tel.: 225-3133 - 225-2581 - Fax: (61) 468-1399
CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

THIS IS TO CERTIFY THAT I, BUNNY GUSTAVE PERSIJN, OFFICIAL PUBLIC TRANSLATOR, DULY COMMISSIONED AND QUALIFIED ACCORDING TO THE OFFICIAL GAZETTE OF SEPTEMBER 20, 1972 - No. 8447 -, HAVE RECEIVED AND TRANSLATED TO THE BEST OF MY KNOWLEDGE AND BELIEF A DOCUMENT WITH THE FOLLOWING CONTENTS: -----

CORREIOS

EMPRESA BRASILEIRA DE CORREIOS E TELÉGRAFOS - ECT

FINANCIAL STATEMENTS 2006



CORREIOS
 CNPJ 34.028.316/0001-03

FINANCIAL STATEMENTS - FINANCIAL YEAR 2006

STATEMENT OF ASSETS AND LIABILITIES AT DECEMBER 31, 2006

	2006	2005	2006	2005
ASSETS				
Current Assets				
Cash available	2,276,503,057.24	2,471,752,518.47	2,043,726,375.72	2,154,419,951.69
Cash on hand	1,165,111,147.31	1,420,818,086.35	489,411,599.25	435,602,647.30
Banks	119,936,935.01	130,919,634.70	449,628,665.63	387,266,844.62
Investments	85,119,684.77	181,608,673.04	125,254,450.34	83,743,338.54
Credits	960,054,527.53	1,108,289,778.61	78,216,248.07	221,308,973.70
Stocks	814,663,396.26	723,584,733.79	51,959,256.28	277,893,517.24
Anticipated Expenses	103,344,943.42	86,026,105.42	165,841,091.57	179,543,302.72
Other Values and Assets	1,777,896.05	11,512,487.61	306,070,664.09	390,354,040.91
Advanced payments	191,605,674.20	229,811,105.30	23,446,722.23	53,230,599.93
Compensation Values Payable	61,553,019.21	63,982,114.51	20,269,885.76	12,026,754.42
Judicial Collection	44,057,446.42	81,709,747.54	284,932.11	207,203.82
Determination of Values	2,810,479.66	63,960,369.54	46,042,533.23	51,016,852.14
Other Credits	19,898,761.77	5,331,196.38	62,019,192.63	47,070,996.56
Long Term Receivables	1,525,274,844.49	966,653,184.55	198,321,281.93	4,690,878.84
Investments	1,278,813,543.68	658,788,321.57	17,359,601.49	10,464,000.95
Credits	117,800,880.45	113,736,164.54	1,271,691,745.71	1,046,751,053.50
Anticipated Expenses	1,790,268.47	2,298,626.90	192,099,908.27	259,640,989.18
Credits Subject to Judicial Decisions	103,640,473.04	103,702,103.73	580,447,133.95	296,957,469.96
Other Long Term Receivables	23,229,678.85	88,127,967.81	261,238,637.25	336,833,914.73
Permanent Assets	1,927,507,731.50	2,022,638,185.90	85,266,255.18	82,056,819.44
Investments	13,249,833.54	6,327,229.57	118,865,366.07	9,261,860.19
Fixed Assets	1,887,396,572.92	1,981,603,059.10	35,774,444.99	62,000,000.00
Real Estates	892,183,094.04	771,586,443.28	2,413,867,511.80	2,259,872,883.73
(-) Accrued Depreciation	(291,567,828.16)	(236,940,720.58)	1,868,963,891.51	1,143,668,303.20
Furniture	2,352,112,212.01	2,322,949,290.95	31,814,183.87	31,638,953.55
(-) Accrued Depreciation	(990,368,664.19)	(832,410,322.64)	122,060,752.27	456,748,028.76
(-) Amortization	(74,962,240.78)	(43,581,631.91)	122,060,752.27	95,715,432.46
Deferred	26,861,325.04	34,707,897.23	391,028,684.15	361,032,596.30
Installations & Expenses	58,631,994.70	58,933,866.37		627,817,598.22
(-) Accrued Amortization	(31,770,669.66)	(24,225,969.14)		
TOTAL	5,729,285,633.23	5,461,043,888.92	5,729,285,633.23	5,461,043,888.92
LIABILITIES				
Current Liabilities				
Suppliers				
Salaries & Consignments				
Social Contributions				
Taxes & Contributions				
Dividends payable				
Collections & Receipts				
Advances to Clients				
International Accounts Payable				
Judicial Demands & Actions				
Provisions				
Loans & Financings				
Participation in Profits & Results				
Income to be Appropriated				
Interest on Own Capital				
Other Debts				
Long Term Liabilities				
Loans & Financings				
Postals Reserve Amortization				
Reserves				
Compensated Taxes				
Demands & Legal Actions				
Other Debts				
Net Equity				
Capital				
Capital Reserve				
Profits Reserve				
Legal Reserve				
Reserve for Investment Project				
Accrued Profits				

Carlos Henrique Almeida Custódio President	Délio Braga de Oliveira Economic-Financial Director	Samir de Castro Hatem Business Director	Menassés Leon Nahmias Director of Technology & Infrastructure
Carlos Roberto Salmartini Dias Director of Operations	Roberto dos Santos Souza Director of Administration	Mais de Lourdes Rosalém Director of Human Resources	Ildo Rony de Moura Accountant Reg. No. CRC/RS-041.505/T-0



(*) Figures expressed in Brazilian Reals (R\$)

CORREIOS

CNPJ 34.028.316/0001-03

FINANCIAL STATEMENTS - FINANCIAL YEAR 2006

STATEMENT OF RESULTS OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2006

DESCRIPTION	2006	2005
GROSS OPERATING INCOME	8,831,683,023.72	7,985,782,106.95
DEDUCTIONS	(338,294,092.31)	(381,199,364.32)
Taxes & Contributions	(338,294,092.31)	(381,199,364.32)
NET OPERATING INCOME	8,493,388,931.41	7,604,582,742.63
SERVICE COST	(6,231,827,867.91)	(5,652,866,100.49)
GROSS OPERATING PROFIT	2,261,561,063.50	1,951,716,642.14
Operating Income	804,748,825.40	427,651,494.40
Financial Income	804,748,825.40	427,651,494.40
OPERATING EXPENSES	(2,497,165,723.67)	(1,954,365,360.71)
Financial Expenses	(578,977,682.19)	(296,755,918.68)
Administrative Expenses	(1,596,361,969.54)	(1,362,543,558.94)
Depreciation & Amortization Expenses	(321,826,071.94)	(295,065,883.09)
NET OPERATING INCOME	569,144,165.23	425,002,775.83
PROVISION	17,214,405.17	260,843,839.15
RESULT BEFORE PROVISION	586,358,570.40	685,846,614.98
Provision for Income Taxes	(195,754,263.46)	(242,388,279.01)
Provision for Social Security Contributions	(142,511,519.08)	(175,915,179.93)
PARTICIPATION IN PROFITS & RESULTS - PPR	(53,242,744.38)	(66,473,099.08)
NET PROFIT OF THE FINANCIAL YEAR	(62,019,192.63)	(47,070,996.56)
Reversion of the Interest on Own Capital	328,585,114.31	396,387,339.41
RESULT OF THE FINANCIAL YEAR	198,321,281.93	396,387,339.41
	526,906,396.24	

Carlos Henrique Almeida Custódio
PresidentDécio Braga de Oliveira
Economic-Financial DirectorSamir de Castro Hatem
Business DirectorMenassés Leon Nahmias
Director of Technology & InfrastructureCarlos Roberto Samartini Dias
Director of OperationsRoberto dos Santos Souza
Director of AdministrationMaria de Lourdes Rosalém
Director of Human ResourcesIldo Rony de Moura
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FINANCIAL STATEMENTS - FINANCIAL YEAR 2006

STATEMENT OF ORIGIN & INVESTMENT OF FUNDS OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2006

	2006	2005
ORIGIN	875,653,750.13	718,804,964.76
FROM OPERATIONS		
Net Profit of the Financial Year	650,713,057.92	691,453,222.50
Plus: Depreciation & Amortization	328,585,114.31	396,387,339.41
Release of Deferred Operations	321,826,071.94	295,065,883.09
301,871.67		
FROM THIRD PARTIES		
Increase in Long Term Liabilities	224,940,692.21	27,351,742.26
224,940,692.21		
INVESTMENTS	847,476,936.38	624,571,704.29
Investment Applications		147,297.20
Real Estates Investments	6,922,603.97	131,762,252.90
Deferred Investments	219,899,654.92	12,684,670.19
Increase of Long Term Receivables	445,888,960.93	79,190,709.05
Decrease of Long Term Receivables		
Transfers to the Federal Government	51,959,256.28	163,554,606.21
Adjustments of the Previous Financial Years	122,806,460.28	137,232,168.74
INCREASE OF THE NET WORKING CAPITAL	28,176,813.75	94,233,260.47
CURRENT ASSETS	(85,516,726.22)	409,645,966.40
At the Start of the Financial Year	(2,471,752,518.47)	(2,062,106,552.07)
At the End of the Financial Year	2,389,235,756.25	2,471,752,518.47
CURRENT LIABILITIES	(110,693,575.97)	315,412,705.93
At the Start of the Financial Year	(2,154,419,951.69)	(1,839,007,245.76)
At the End of the Financial Year	2,043,726,375.72	2,154,419,951.69

Carlos Henrique Almeida Custódio
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FINANCIAL STATEMENTS - FINANCIAL YEAR 2006

STATEMENT OF CHANGES IN THE NET EQUITY OF THE FINANCIAL YEAR ENDED DECEMBER 31, 2006

	CAPITAL	CAPITAL RESERVE	PROFITS LEGAL	RESERVE INVESTMENTS	ACCRUED PROFITS	TOTAL
Balance at December 31, 2004	1,143,668,303.20	31,730,843.33	75,896,065.49	361,032,596.30	652,036,400.73	2,264,364,209.05
2005						
Increase in Reserves:						
Real estates received/returned/donation		(91,889.78)				(91,889.78)
Fiscal Incentives Income Tax						
Payment to the Federal Government					(75,270,619.99)	(75,270,619.99)
Investments Project						
Result of the Financial Year						
Destination:						
Legal Reserve			19,819,366.97		396,387,339.41	396,387,339.41
Federative State Dividends					(19,819,366.97)	(19,819,366.97)
Adjustment of Permanent Assets					(188,283,986.22)	(188,283,986.22)
					(137,232,168.74)	(137,232,168.74)
Balance at December 31, 2005	1,143,668,303.20	31,638,953.55	95,715,432.46	361,032,596.30	627,817,598.22	2,259,872,883.73
2006						
Increase in Reserves:						
Real estates received/returned/donation						
Fiscal Incentives Income Tax						
Payment to the Federal Government						
Investments Project						
Result of the Financial Year						
Destination:						
Legal Reserve						
Federal Government Dividends			26,345,319.81		328,585,114.31	328,585,114.31
Capital Increase						
Through Profits	364,262,992.01					
Through Reserves	361,032,596.30					
				(361,032,596.30)		
Adjustment of the Previous Financial Year						
					(122,806,460.28)	(122,806,460.28)
Balance at December 31, 2006	1,868,963,891.51	31,814,183.87	122,060,752.27	0.00	391,028,684.15	2,413,867,511.80



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CORREIOS

CNPJ 34.028.316/0001-03

FINANCIAL STATEMENTS - FINANCIAL YEAR 2006

STATEMENT OF THE NUMBER OF SHAREHOLDERS OF THE BRAZILIAN POST OFFICE COMPANY - ECT, AT DECEMBER 31, 2006

SHARE CAPITAL

R\$1,868,963,891.51

SOLE SHAREHOLDER

Share capital fully paid-in by the Federal Government, pursuant to Art. 6, Decree-Law No. 509, of March 20, 1969.

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NOTE 2 - PRESENTATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared in accordance with the current companies law, Law 6.404/76, and also pursuant to Law 9.249/95 (articles 4 and 5) annulling the Monetary Indexing in Balance Sheets.

NOTE 3 - MAIN ACCOUNTING PRINCIPLES AND GUIDELINES

The results verified through the competent system, include the income, charges and monetary or exchange variations by indexes and official rates and fees incurring, and current and long-term assets and liabilities.

3.1 - Stocks: appraised by the average acquisition cost, not exceeding the market price and less than the replacement cost.

3.2 - Investments: recorded according to the acquisition cost, increased by monetary indexing until 1995 and deducted from the provision needed for the corresponding payment at the market price.

3.3 - Fixed assets: recorded by the acquisition or construction cost, monetary indexed until 1995, the provisions set forth in Law 7.799/89, Law 9.249/95 and in Decree 332/91 duly observed, and depreciated through the linear method. The depreciation rates are in accordance with the expected useful life. The main rates applied are the following:





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Kind of Assets	Annual Rate
Real Estates	4%
Informatics Equipment	20%
Installations, Machinery & Equipment	10%
Vehicles	20%
Other Fixed Assets	20%

3.4 - Deferred Assets: recorded by the cost value, adjusted according to the amortizations as of the date that the fixed assets were being used or usufructed, during periods not exceeding ten years, as established in Law No. 6.404/76.

3.5 - Other assets: recorded by the payment value, added by the corresponding charges and monetary variation until the financial year 1995.

3.6 - Current Liability and Long-Term Liability: recorded by the known or estimated values, added by the corresponding charges and monetary variations.

3.7 - Provisions: The criteria for the constitution of provisions to pay the losses to be determined, franchised post offices in default, debt of commercial post offices, amounts under judicial collection, labor / civil claims, reserves to





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amortize postalis recorded during the financial year, have been revised in the financial year 2006, and they are as follows:

3.7.1 - Provision for Doubtful Receivable Credits: constituted at the end of the financial year, based on the percentage corresponding to the relationship between the sum of the losses during the last three years and the balance of the Invoices Receivable account related to private clients existing at the end of the years corresponding to the last previous financial years. In the balance constituted in 2006, the loss of R\$14.6 million has been taken into consideration which is with reference to the phone telegram service, due and payable in 2001 and in 2005, the administrative collection efforts related herewith have already been exhausted, however the judicial collection is anti-economic in virtue of the individual value.

3.7.2 - Provision for Specific Goals: constituted monthly, based on 99% of the balance recorded in the Specific Goals account, for the purpose of absorbing the losses caused by the owners of values and/or assets of the Company;

3.7.3 - Provision for the Thirteenth Salary: constituted monthly, being the value corresponding to 1/12 (one twelfth) of the remuneration paid to each employee and the respective social charges, based on the information available and furnished by the Personnel Administration System (POPULIS).

3.7.4 - Provision for Vacations: constituted monthly, being the value corresponding to 1/12 (one twelfth) of the remuneration paid to each employee and the respective social charges, based on the information available and furnished by the Personnel Administration System (POPULIS).





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3.7.5 - Provision for the Determination of Losses: constituted based on 90% of the balance recorded in the Determination of Losses account, to be used for losses in virtue of theft, robbery, deviations and spoliations, related to the proceedings under examination;

3.7.6 - Provision for the Franchised Post Office Agencies in Default (ACFs): constituted monthly, based on 30% of the balance recorded in the ACFs account, and 90% of the balance recorded in the accounts of Defaulters with Judicial Collection and ACFs Deprived of their Licenses with Judicial Collection, for the purpose of absorbing the losses caused by the Franchised Post Office Agencies in default.

3.7.7 - Provision for Debts of Commercial Post Agencies (ACC): constituted monthly, based on 73% of the balance recorded in the Defaulters account, and 98% of the balance of the Defaulters with Judicial Collection account and of the ACCs Deprived from their Licenses with Judicial Collection account;

3.7.8 - Provision for Values under Judicial Collection: constituted monthly, based on 97% of the balance of the Checks under Judicial Collection account and Other Rights under Judicial Collection account, for the purpose of facing the losses of values or commercial papers delivered to the legal department for collection;

3.7.9 - Provision for Labor/Civil Claims: based on 100% of the value of each judicial demand against the Brazilian Post Office – ECT, that the legal counselors consider as possible losses;





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3.7.10 - Provision for Amortization of Reserves/Postalis: the balance recorded of R\$322 million had a completion in 2006 of R\$290 million, as explained in Note 4.

3.8 - Income Tax and other Taxes

The Company determines the Companies Income Tax – IRPJ based on the Real Profit per quarter. The provisions have been constituted monthly at the rate of 15% on the taxable profit, increased by 10% pursuant to the current laws.

The provisions of the income tax laws are applied on the Social Contribution on Net Profit – CSLL, when applicable, inclusive the option for the determination of the period and payment. The provisions have been constituted monthly at the rate of 9% on the profit before income tax, adjusted by the additions, exclusions and compensations determined or authorized by the current laws.

The contributions for the Constitution of the Public Servant Equity – PASEP and the Contribution for the Financing of Social Security – COFINS have been calculated in the financial year 2006, respectively at the rate of 0.65% and 3% on the total income, with the exclusions and deferrals permitted by the law

NOTE 4 - CASH AVAILABLE

4.1 - Cash: at December 31, 2006, the amount of R\$119.9 million, in cash, has been distributed in a heterogeneous way, to 5770 Attending Units, in all





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the States of the Federation. Such amount was to satisfy the obligation to pay the benefits of the Brazilian Social Security Institution – INSS, money orders, among other obligations, for the first days of every month.

4.2 - Investments: the financial cash available originating from own income, shall be invested in the Exclusive Extra-market Investment Fund at the Bank of Brazil S/A, with the Fund 13 (*Fundo 13*) and Fund 15 (*Fundo 15*) departments, that are constituted by Federal Treasury Bills (LFT) and National Treasury Bonds (LTN), recorded in accordance with the net amount paid on the date of the balance sheet, conform detailed as follows:

INVESTMENT	AMOUNT	PORTION
LFT	1,276,201,377.80	57%
LTN	638,211,474.61	28%
Op.(1 day)	190,354,405.43	8%
Subtotal	2,104,767,257.84	94%
Adjustments (*)	(141,369.13)	0%
Fund 15	137,347,967.65	6%
Total	2,241,973,856.36	100%
Income Tax	(3,105,785.15)	(0.13%)
Net	2,238,868,071.21	99.87%

(*) Administration fee; CPMF banking tax; Future market adjustment and other fees related to Fund 13.



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FUND 13 (FUNDO 13)**MATURITY**

DATE	LFT	LTN	OP-1DAY	TOTAL
2007	357,729,300.07	415,217,976.42	190,354,405.43	963,301,681.92
2008	525,221,699.65	222,993,498.19		748,215,197.84
2009	214,822,711.60			214,822,711.60
2010	59,231,067.08			59,231,067.08
2011	119,196,599.40			119,196,599.40
TOTAL	1,276,201,377.80	638,211,474.61	190,354,405.43	2,104,767,257.84

NOTE 5 - CREDITS

KIND OF CREDIT	2006	2005
Invoiced Services	653,155,468.18	534,166,998.93
Services to be invoiced	35,053,006.21	24,808,441.21
Credit Cards	434,008.01	464,815.23
ACF / Rendering of Accounts	50,897,330.99	55,679,415.03
ACF/Negotiated Debts	340,562.33	1,887,090.14
International Debts	39,566,528.42	61,657,806.41
AGC Debts	121,052.03	165,666.21
ACS Debts	2,403,972.74	3,491,587.44
Other Clients Debts	32,691,467.35	41,262,658.06





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

5.1 - Invoiced Services: they represent the rights of the Company for services rendered to clients and they are supported by invoices to be collected by banks, administratively or judicially.

5.2 - Services to be invoiced: they represent the rights of the Company for services rendered to clients, the invoice still to be issued for collection.

5.3 - ACF/ Rendering of Accounts: they represent the rights of the Company with its franchisers, corresponding to the collection of the second half of the month.

5.4 - International Debts: they correspond to the rights of the Company with clients and International Post Offices under commercial partnership agreement. Such amounts have been adjusted in accordance with the Special Withdrawal Right – DES, at the date of the balance sheet.

5.5 - Other Clients Debts: they refer to credits of the Company, mainly those related to services rendered to the Brazilian National Social Security Institution –INSS. The outstanding balance of invoices due and payable for over 365 days, i.e. R\$127.7 million have been re-classified to Long Term Assets Receivable, aiming at obtaining a better quality of the indexes of the Company.

NOTE 6 - STOCKS

The stored materials have been appraised by the average acquisition cost and they have been stored in two large Materials Distribution Centers in charge for supplying in a systematic and suitable way the administrative units, besides the 7.6 Attending Units and other operating units.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

STORED MATERIALS	2006	2005
Fuel and lubricants	131,999.81	128,370.81
Material for consumption	26,567,468.07	21,996,240.80
Material for resale/storeroom	6,048,358.42	10,746,500.28
Material for resale/Agency	49,846.83	49,780.95
Material for alienation	69,647.59	81,231.78
Material in transit	2,737,129.72	6,280,278.39
Consignment Material	67,732,245.78	46,735,455.21

NOTE 7 - OTHER VALUES AND ASSETS

7.1 - ADVANCE PAYMENTS	2006	2005
Advance payments to cover small expenses	28,802.00	31,935.35
Advance Salaries	2,024,312.10	4,940,969.98
Advance Payment for 13 th . Salaries	1,968.20	0.00
Advance Payments for Vacations	56,459,533.72	50,057,893.05
Ceded Employees	3,038,353.19	2,673,182.09
Bank Covenants	50.00	6,277,976.26

7.1.1. - Small expenses: advance payments to employees of the Company; payments for expenses subject to posterior proof, provided that they cannot be processed in accordance with the normal procedure and that they are of an exceptional or emergency character.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

7.1.2 - Advanced Salaries: the debts of employees originating from the covering of negative balances and other kind of authorized advanced payments of salaries to be compensated in payrolls, except the advanced payment of vacations, are characterized as advanced salaries.

7.1.3 - Vacations: the advance payment of salaries in virtue of vacations, that can be paid back in up to five (05) installments.

7.1.4 - Ceded Employees: amount due and payable to ECT by public agencies and departments in virtue of the remuneration and charges of the ceded employees.

7.1.5 - Bank Covenants : It refers to the amounts paid by ECT to the Covenant Bank, from deposits made by clients in current accounts or in savings account, as well as the amounts from the receipt of bills.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

7.2 - AMOUNTS TO BE COMPENSATED

RIGHTS TO COMPENSATION	2006	2005
Family Salary	55,577.78	42,428.34
Salary-Maternity	360,609.17	179,532.00
IRRF/Financial Investments	30,419,450.52	34,135,600.21
ICMS to be recovered/compensated	351,590.05	1,239,751.49
Withholding Income Tax – Law 9430	15,160,346.53	12,935,407.96
Withholding CSLL Contr. – Law 9430	3,022,223.55	2,703,120.15
Withholding COFINS Contr. – Law 9430	3,498,678.35	4,527,666.72
Withholding Pis/Pasep Contr.-Law 9430	763,620.68	980,523.55
INSS Contr. withhold by clients	160,122.97	1,768,305.62
Undue payments – Law 10.833/03	7,050,119.95	765,773.46
ISSQN tax withhold by clients	1,237,673.60	1,064,827.39
INSS - Undue payment	639,099.42	0.00
INSS: payments of benefits/employees	566,854.57	893,339.54
Bank Institutions – withdrawals	0.00	20,414,057.99
Bank Institutions – payments	0.00	(1,578,462.19)
Transitory Payments – ERP	0.00	1,637,875.31

7.2.1 - Withholding Income Tax: the amount R\$30.4 million refers to Income Tax, that can be compensated, collected on the income of financial investments.

7.2.2 - Taxes and Contributions / Law 9430: the amounts R\$ 15.1 million (IRRF); R\$3.0 million (CSLL); R\$3.4 million (COFINS), and R\$ 763.7 thousand (PIS/PASEP) refer to withholding taxes and contributions by the





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

offices, agencies and department of the Federal Public Administration, with reference to the payment of services and/or products acquired at ECT.

7.2.3 - Undue Payments - Law No. 10.833/2003: The amount R\$7.0 million refers to amounts paid to the Federal Revenue Secretariat, related to undue payments of PASEP and COFINS, that duly indexed by Selic, can be compensated by any kind of taxes of the Federal Revenue Secretariat.

7.3 - JUDICIAL COLLECTION / DEFAULT

JUDICIAL COLLECTION RIGHTS	2006	2005
Invoices that are being collected judicially	37,733,008.44	30,794,360.40
Checks that are being collected judicially	1,566,481.54	1,930,127.31
Other rights that are being collected judicially	40,533,263.35	42,090,427.37
Invoices related to checks that are being collected judicially	10,119.18	555.00
Provision for judicial collection rights	(40,787,138.60)	(27,901,006.65)
Specific Goals	26,127,674.45	12,788,203.01
Provision for Specific Goals	(25,662,610.66)	(11,509,373.45)
Defaulters	1,899,223.25	2,321,077.62
Defaulters that being collected judicially	927,848.84	729,331.96
Franchisers deprived of licenses that are being collected judicially	29,312,516.69	28,359,595.89
ACF/Rendering of Special Accounts	0.00	132,993.81
Provision for debt of ACF	(27,602,940.06)	(15,775,922.73)





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

7.3.1 - Invoices that are being collected judicially: the amount R\$37.7 refers to debts in historical amounts of private companies in default, being the collection executed by the legal department of the Company. The judicial collection is executed when the debt exceeds R\$1 thousand, and when a judicial collection shows to be economically feasible.

7.3.2 - Other rights that are being collected judicially: from the amount R\$40.5 million, R\$36.2 million refers to the following rights:

DEBTOR	AMOUNT	PROCEEDINGS	REMARKS
Interunion Capitalização – Papa Tudo	11,763,674.05		Promissory Notes that are being collected judicially - Court of São Paulo. Credit entitled to Liquidation 1036/98 – Act No. 560/02 of the Central Bank of Brazil (BACEN). Waiting for the alienation of assets in order to pay the creditors.
Alston - Ctr 10.572/2001	5,334,766.15	2004.34.00.014964-2 2004.34.00.018354-2	Innominate Injunctions. Both proceedings are ready for judgment.
Société Générale – Ctr. 8.909/1997	19,107,150.03	2004.34.00.048887-8	Action for Damages. Waiting for the specification of evidences by the parties.

7.3.3 - Specific Goals: the amount R\$26.1 million refers to debts of ex-employees, due to illegal acts, and the proceedings (Rendering of Special Accounts – TCE) have been sent to the Federal Audit Court for analysis and judgment.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

7.3.4 - Franchisers Deprived of License that are being collected judicially: the amount R\$29.3 million refers to debts of Franchised Post Office Agencies – ACF, deprived of their license in virtue of the non-compliance with the clauses and conditions of the franchise agreement. For such cases, ECT has filed collection actions.

7.4 - DETERMINATION OF VALUES

DETERMINATION OF LOSSES	2006	2005
Determination of losses – external		
negligences	9,409,936.36	7,503,525.56
Determination of losses - internal		
negligences	14,090,716.23	8,774,355.99
Provision for determination of losses	(20,874,075.45)	(11.126,348.54)

7.4.1 - External Negligences / Internal Negligences: the amounts R\$9.4 million and R\$14.0 million refer to the records of losses caused respectively by third parties or by employees, being the corresponding proceedings still under examination. Considering that the Brazilian Post Office – ECT is an institution under the Federal Public Administration, all the damages caused to its assets are communicated to the Federal Police Superintendency.

7.5 - Provision for Losses by the Receipt of Credits: The Company based on the accounting principles and Law 9340/96 (Art. 9 & 10), has





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

converted into expenses part of the values recorded in the accounts indicated in Notes 7.3.2; 7.3.3; 7.3.4 and 7.4.1, conform the guidelines stated in Note 3.

7.6 - OTHER CREDITS

RIGHTS RECEIVABLE	2006	2005
Promissory Notes	274,602.42	479,849.13
Other debts of employees	4,161,864.33	4,204,049.24
International Money Order – importation	22,795.80	219,778.87
Other debts of third parties	12,102,094.76	8,220,588.80
Other payments on account of third parties	1,515,591.33	1,171,462.92
Traffic fines	634,319.33	0.00
Adjustments to the Trial Balance of the Federal Government	1,195,814.26	540,268.65

7.6.1 - Other Debts of Employees: the amount R\$4.1million refers to debts from losses caused by employees to the company, the proceedings with reference hereto have been completed and an agreement has been made for compensation.

7.6.2 - Other Debts of Third Parties: the amount R\$12.1 refers to debts of ex-employees, of clients and/or of suppliers, that are being collected by administrative proceedings.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

Sworn Translator - Reg. No. 3 / JCDF - Address:
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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

NOTE 8 - LONG TERM RECEIVABLES

8.1 - Investments: see Note 4.2

8.2 - Credits: the amount R\$112,732,699.01 refers to invoices due and payable for over 365 days, of public offices, departments and agencies clients.

To this account is added the value related to real estates for residential purposes of employees in the amount of R\$5.0 million, related to the monetarily indexed remaining value, with reference to the sale of the real estates for residential purposes of employees in 1991, being the collection and receipt of the installments under the responsibility the Federal Savings Bank ("Caixa Econômica Federal – CEF").

8.3 - Judicial Deposits

KIND OF DEPOSIT	2006	2005
Judicial Deposits	28,425,086.48	29,447,967.32
Deposits for appeals	35,276,887.95	33,933,288.96
Deposits for Administrative Appeals	39,488,998.61	40,320,847.45
Judicial Counseling Services – of free choice	499,500.00	0.00

The amounts R\$28.4 million; R\$35.2 million and R\$39.4 million refer to the deposits made for the judicial demands in which the Brazilian Post Office – ECT is the Defendant, and it is worth to emphasize the following:





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

Sworn Translator - Reg. No. 3 / JCDF - Address:
SHIN QL 2 - Conj. 4 - Casa 1 - Tel.: 468-4466.
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Tel.: 225-3133 - 225-2581 - Fax: (61) 468-1399
CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

- a) the judicial deposits are to comply with judicial orders;
- b) the deposits for appeals are for the appeals to higher instances in virtue of unsuccessful judgment of the court of first instance;
- c) the deposits for administrative appeals are deposits made to the Brazilian Social Security Institute – INSS equivalent to 30% of the amount of the tax assessment notice related to Fiscal Notifications of the Entry of Debt – NFLD. By making such deposit, the Brazilian Post Office – ECT has filed an administrative appeal.

8.4 - Other Deposits:

8.4.1 - Other credits receivable: R\$12,907,118.98 related to the deposit of savings-guarantee by the commercial contract number 531/2005 with the Federal Savings Account, and R\$7,726,035.11 refers to Fiscal Notifications of the Entry of Debt – NFLD issued by the Brazilian Institute of Social Security, among other credits receivable.

In virtue of the NBC T 19.7, the amount of R\$60.4 million related to the ISSQN tax withhold by clients has been transferred to the result of the financial year, since it has not been assured that the Company would be able to recover such values because there is no final judicial decision on this matter.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

KIND OF CREDITS	2006	2005
Other credits receivable	22,523,123.74	53,801,511.09
ISSQN Tax withhold by clients	706,555.11	34,326,456.72

NOTE 9 - INVESTMENTS

The most significant values of the amount of R\$13.2 million are those related to the investments with the FINOR fund and FINAM fund conform Art. 592, Decree No. 3.000, of March 26, 1999 – RIR/99.

KIND OF INVESTMENTS	2006	2005
Non-relevant participations	3,429,630.10	3,429,630.10
FINAM	12,793,728.91	12,793,728.91
FINOR	15,268,161.72	15,268,161.72
Provision for losses	(19,785,733.82)	(26,709,849.67)
Museums and collections	649,660.13	651,172.01
Other investments	894,386.50	894,386.50





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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Tel.: 225-3133 - 225-2581 - Fax: (61) 468-1399
CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

NOTE 10 - FIXED ASSETS AND DEFERRED ASSETS

KIND OF ASSETS	2006	2005
Real Estates	892,183,094.04	771,586,443.28
Land	97,164,123.84	97,127,855.03
Buildings	450,278,407.86	383,099,925.53
Installations in own buildings	224,458,118.98	184,393,000.73
Improvements and installations in real estates of third parties	120,282,443.36	106,965,661.99
Accrued Depreciation / Amortization	(291,567,828.16)	(236,940,720.58)

KIND OF ASSETS	2006	2005
Movable Assets	2,208,408,275.46	2,110,992,546.02
Furniture & Utensils	169,382,659.45	146,315,098.28
Machinery & Equipment	1,147,244,981.06	1,135,557,378.57
Motor Vehicles	298,688,752.11	245,745,534.59
Non-Motor Vehicles	7,432,422.07	6,135,405.12
Tools & Instruments	2,150,509.99	2,235,540.97
Data Processing Equipment	412,022,474.69	410,958,165.29
Software, Licenses & Similar	171,486,476.69	164,045,423.20
Accrued Depreciation / Amortization	(1,065,330,904.97)	(875,991,954.55)





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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Tel.: 225-3133 - 225-2581 - Fax: (61) 468-1399
CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION N^o 0891/2007

KIND OF ASSETS	2006	2005
Intangible Assets	296,119.00	337,735.74
Brands, Patents and Other Rights	196,117.22	236,727.30
Telephone Line Rights	100,001.78	101,008.44

10.2 - Deferred Expenses

KIND OF ASSETS	2006	2005
Pre-operating Implantation Expenses	2,885,462.54	2,033,579.87
Own Real Estates	2,648,382.09	1,841,054.33
Real Estates of Third Parties	237,080.45	192,525.54
Accrued Amortization	(617,105.65)	(346,991.91)





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

Sworn Translator - Reg. No. 3 / JCDF - Address:
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Tel.: 225-3133 - 225-2581 - Fax: (61) 468-1399
CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

KIND OF ASSETS	2006	2005
Projects Pluriannual Plan - PAA	49,524,498.53	50,827,774.66
SAA – Automation System of Agencies	6,170,091.85	7,284,662.42
Auto-Attending	7,171,451.21	7,532,577.77
Corporative Network	1,596,070.28	1,960,241.29
Mechanization of sorting	761,842.05	761,842.05
Tracing of objects	17,397,840.13	17,406,949.57
Information Systems	799,235.97	799,235.97
Geoprocessing	5,335.95	5,335.95
Installation & Mechanization -		
Technological Support	104,070.96	104,070.96
SCADA - Data Captation System	189,784.93	189,784.93
Postal Bank	9,314,150.32	8,768,448.87
Other expenses for the implantations &		
Projects	6,014,624.88	6,014,624.88
Accrued Amortization	(28,645,175.76)	(22,001,328.11)

KIND OF ASSETS	2006	2005
Other values to be amortized	6,222,033.60	6,072,511.84
Studies & Projects	1,197,832.20	1,212,203.22
Other expenses to be amortized	5,024,201.40	4,860,308.62
Accrued Amortization	(2,508,388.25)	(1,877,649.12)





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

BUNNY GUSTAVE PERSIJN

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CEP 70.305-900 - CPF 003218851/04 - I.N.P.S. Reg. 10945500391

TRANSLATION Nº 0891/2007

NOTE 11 - CURRENT LIABILITES

SOCIAL CHARGES	2006	2005
INSS Contributions - Employer	42,828,259.26	36,483,390.69
Postalis - employer	22,542,416.39	22,616,221.00
SENAI additional	213,391.98	299,827.40
Education Allowance	2,893,083.58	2,818,084.26
FGTS (Employees Dismissal Fund)	23,161,370.21	20,060,697.40
INSS - individual contributions	293,051.72	799,857.03
INSS - cooperatives contributions	402,493.90	375,018.72
Postal Social Security - Employer	493,877.76	232,234.01
Actuarial Deficit - Postalis	32,397,049.34	0.00
Other patronal charges	30,260.61	58,008.03

11.1 - Social Charges: the expressive variation (49.5%) in the amounts for the social charges when comparing 2006 (R\$125.2 million) and 2005 (R\$ 83.7 million) can be explained by the increase of the payroll and by the transfer in 2006 of R\$32.4 million related to the portion to be liquidated in 2007 in accordance with the commitment assumed by the company with Postalis for the liquidation of the Actuarial Liability in 19 years. In the Long Term Liabilities is another accrued R\$ 580.4 million.

11.2 - Taxes and contributions: there has been a decrease of 183% in the balance of the account of 2005 when compared with 2006, mainly caused by the accrued amounts since the financial year 2004, related to PASEP in the amount of R\$ 119.8 million added to the Accrued Profits - Net Equity.





BRASÍLIA - DISTRITO FEDERAL - BRAZIL

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TRANSLATION Nº 0891/2007

11.3 - Dividends Payable: dividends of 50% of the profit of the adjusted financial years has been allocated in the amount of R\$ 51,959,256.28, calculated pursuant to article 202, Law 6404/76. Said liability was in 2005 R\$ 277,893,517.24 (R\$188 million in 2005 and R\$89 million in 2004), liquidated in 2006. It is worth to emphasize that to said amount is added the amount of R\$193.3 million related to Interest on Own Capital.

11.4 - Collection and Receipts: As to the amount of R\$165.8 million, the payments related to the captation of bank deposits can be emphasized, i.e. the amount of R\$116.9 million as the bank correspondent; R\$12.2 million for the receipt of amounts for the Post Office Social Security Institute – Postalis, and R\$11.1 million related to the transfer of money to third parties, via National Postal Money Orders. Other commitments constituting this group can be verified in the table below. It must be noted that such commitments are liquidated monthly in accordance with the agreements related herewith.

RELEVANT COMMITMENTS	2006	2005
Captation of bank deposits	116,891,800.41	114,924,752.66
Receipts for Postalis	12,206,,707.71	7,091,093.96
National Postal Orders issued	11,114,295.57	10,782,257.20
Postal checks - Sales	3,491,945.07	5,279,571.71
Sales of products to third parties	6,822,832.29	3,736,766.24
Receipt of Bills – Public Services	3,324,009.56	3,733,994.90
Receipt of Bills – Private Services	3,332,271.88	3,076,420.61





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TRANSLATION Nº 0891/2007

11.5 - Advance payments from clients: With reference to the liability amount of R\$ 306.0 million, the portion of R\$294.0 million can be emphasized related to the support made by the Brazilian Social Security Institute – INSS for the payment of benefits to retired personnel and pensioners during the first days of January 2007; and, R\$8.7 million related to advance payment of other clients for services to be rendered.

11.6 - International Bills: the amount R\$23.4 million represents the commitments of the company with the Postal Administrations, Private Operators and Air Line Companies in virtue of the international transactions of the Post Office. Said amount is adjusted by the variation of the Special Withdrawal Right - DES.

11.7 - Judicial Demands and Legal Actions: are compulsory commitments in virtue of judicial judgments, due and payable in 2007 (short term: R\$20.2 million) and as of 2008 (long term: R\$116.8 million).

KIND OF JUDICIAL DEMANDS / LEGAL ACTIONS	2006	2005
Labor Actions (CP)	14,304,138.33	11,725,268.84
Civil Actions (CP)	5,965,747.43	301,485.58
Labor Actions (LP)	10,505,083.51	6,217,634.10
Fiscal Actions (LP)	16,912.25	3,044,178.15
Actions of Suppliers (LP)	106,343,370.31	0.00



FINANCIAL AGENT	SITUATION OF THE CONTRACTS - DEC. 31, 2006				BALANCE PAYABLE - DEC. 31, 2006				
	LEGAL EFFECT	CURRENCY	ORIGINAL AMOUNT	PAID UNTIL DEC. 31, 2006	OUTSTANDING BALANCE	QUOTATION	TOTAL(*)	IN 2007	AFTER 2007
KFW (GERMANY)	FEB 28, 2000	EURO	62,129,884.50	26,871,179.63	35,258,704.87	2.82024	102,177,542.33	20,261,661.56	81,915,880.67
JBIC/MARUBENI CORPORATION	MAY 12, 2000	JPY	8,773,868.531	3,372,959.236	5,400,909.295	0.01795	98,214,172.98	18,200,291.72	80,013,881.26
DANSKE BANK A/S (DENMARK)	JUNE 14, 2000	EURO	18,246,872.50	7,906,235.59	10,340,636.91	2.82024	29,781,716.45	7,580,579.96	22,201,136.49
TOTAL							230,173,431.34	46,042,533.24	184,130,898.42

(*) Interest and commissions included.





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TRANSLATION Nº 0891/2007

11.9 - Participation in Profits and Results - PLR: the amount R\$62.0 million refers to the participation of the employees in the positive result of the financial year 2006, that shall be paid during the financial year 2007 in accordance with the Collective Labor Agreement.

11.10 - Income to be Appropriated: in this group is recorded the income related to the lease of post office boxes that, in virtue of the competence system adopted by the company, must be appropriated during the financial year 2007 (R\$9.6 million) and during the following financial years (R\$19.7 million).

11.11 - Interest on Own Capital: the amount R\$198.3 million refers to the credit for the Federal Government, the sole shareholder of the Company, as a remuneration of the own capital. The amount has been calculated by the Long Term Interest Rate (TJLP) on the adjusted Net Equity, in accordance with the decision of the board of directors of the company dated April 19, 2006 (REDIR-16/2006).

NOTE 12 - LONG TERM LIABILITIES

12.1 - Provisions: the amount R\$261.2 million refers to the provisions constituted based on 100% of the value related to each judicial complaints against the Brazilian Post Office – ECT, that the legal counselors consider as possible losses. The amount recorded in the accounting records is monetarily indexed until December 31, 2006.





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TRANSLATION Nº 0891/2007

PROVISIONS	2006	2005
Labor Complaints	214,867,820.82	187,683,581.83
Civil Complains	46,370,816.43	56,751,816.30
Legal Actions of Suppliers	0.00	92,398,516.60

Liabe Contingencies: At December 31, 2006, the company was a Defendant in other 10,701 judicial complaints, already loosing in the courts of first instance, and the overall amount claimed was around R\$310.7 million. However, the financial effect and the date for disbursement are difficult to be measured, considering the various appeals that still are being filed with higher instances. In accordance with NBC T 19.7 no provision can be provided for such contingencies because the judicial risk is still a possible loss. There is also a not recognized fiscal liability, classified as a remote loss, due to the tax immunity thesis defended by the Company, still under examination by the Supreme Court - STF.

12.2 - Compensated Taxes: it refers to the values of taxes not paid and compensated by credits determined in the work carried out by the firm *IAB - Assessoria Tributária Ltda.*, in a judicial claim.

12.3 - Other debts: the amount R\$35.7 million is constituted by R\$19.7 million already explained in Note 11.10 and by the portion of R\$16.0 million that belongs to contracts for the rendering of services to clients, still in progress for the settlement of accounts.





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TRANSLATION N^o 0891/2007

NOTE 13 - NET EQUITY

13.1 - Share Capital: the Share Capital of the company is R\$1,868,963,891.51, altered in 2006 pursuant to Decree No. 5.672, of January 11, 2006 (published in the Official Gazette of the Republic – DOU, on January 12, 2006), by the capitalization of the balance of the Investment Reserves (R\$361.0 million) and of the balance of the Accrued Profits (R364.2 million).

13.2 - Capital Reserves / Other Reserves: the amount R\$31,814,183.87 refers to the receipt of assets as donations from public offices, departments and agencies.

13.3 - Profits Reserve / Legal Reserve: the amount R\$122,060,752.27 represents the outstanding 5% of the net profit of the financial years 2001 through 2006, conform article 193, Law 6.404/76, and shall be used to assure the integrity of the Share Capital.

13.4 - Accrued Profits: the amount R\$391,028,684.15 represents the balance of the profits obtained by the Company, already deducted the Legal Reserve and the Dividends of the Federal Government.

13.5 - Adjustments of the Previous financial Years: recorded the amount of R\$242.6 million, as stated in Note 14.

NOTE 14 - PENSION FUND

The Brazilian Post Office – ECT is the sponsor of a not for profit closed private social security entity, constituted on January 26, 1981, named *Instituto de*





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TRANSLATION Nº 0891/2007

Seguridade Social dos Correios e Telégrafos – POSTALIS, and the purpose of said entity is to assure a supplementary allowance to the retirement and pension benefits of the employees and participants, by means of a defined allowance plan. The mathematical reserves are actuarially calculated and periodically revised.

The Brazilian Post Office – ECT contributes with a monthly portion of maximum 8.921% of the payroll, constituted by a regular contribution fee (on the same level between the sponsor and the participant) and a special contribution fee to cover the Reserves to be Amortized related to services rendered in the past.

In September 2006, the actuary of Postalís (*STEA – Serviços Técnicos de Estatística e Atuária Ltda.*) presented the new balance to be amortized – R\$612.8 million, of which R\$47.7 million has been recorded in the result of the financial year 2006 and the remaining amount, R\$242.6 million has been deducted from the Accrued Profits – Net Equity.

During the financial year 2005, the new Plan of Benefits from Defined Contribution – *POSTALPREV* has been implanted, being the regulations approved by the Secretariat of complementary Social Security of the Ministry of Social Security – *MPAS*. However, said new modality shall only be available for the new employed employees or those not participating in the old plan.

NOTE 15 - SUBSEQUENT EVENTS

Business Administration Integrated Solution - it is expected that the Invoice and Collection production module shall still be completed and operate in the





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TRANSLATION Nº 0891/2007

first semester 2007. In such way, about 65% of the income of the company shall be managed by the ERP System.

Carlos Henrique Almeida Custódio
President

Décio Braga de Oliveira
Economic-Financial Director

Samir de Castro Hatem
Business Director

Menassés Leon Nahmias
Director of Technology &
Infrastructure

Carlos Roberto Samartini Dias
Director of Operations

Roberto dos Santos Souza
Director of Administration

Maria de Lourdes Rosalém
Director of Human Resources

Ildo Rony de Moura
Accountant
Reg. No. CRC/RS-041.505/T-0

Note:

(*) Figures expressed in Brazilian Reals (R\$)

=====

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND AND SEAL
HERE IN THE CITY OF BRASILIA, DF, BRAZIL, ON THIS TWENTY-FIFTH
(25TH.) DAY OF JUNE, 2007 (TWO THOUSAND AND SEVEN).




Prof. Bunny Gustave Persijn
SWORN TRANSLATOR
REG. Nº 3 - JODF



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BUNNY GUSTAVE PERSIJN

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SHIN QL 2 - Conj. 4 - Casa 1 - Tel.: 468-4466.
SCS - Edificio Gilberto Salomão - Sala 413 - Brasília-DF - Brazil
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TRANSLATION Nº 0892/2007

1

THIS IS TO CERTIFY THAT I, BUNNY GUSTAVE PERSIJN, OFFICIAL PUBLIC TRANSLATOR, DULY COMMISSIONED AND QUALIFIED ACCORDING TO THE OFFICIAL GAZETTE OF SEPTEMBER 20, 1972 – No. 8447 -, HAVE RECEIVED AND TRANSLATED TO THE BEST OF MY KNOWLEDGE AND BELIEF A DOCUMENT WITH THE FOLLOWING CONTENTS:

CORREIOS

FINANCIAL STATEMENTS - FINANCIAL YEAR 2006

FISCAL COUNCIL OF THE BRAZILIAN POST OFFICE – ECT

OPINION No. 01/2007

GENERAL ACCOUNTS 2006

1. The Fiscal Council of the Brazilian Post Office (*Empresa Brasileira de Correios e Telégrafos – ECT*), at its first extraordinary meeting held on April 19, 2007, pursuant to article 163, Law 6.404 of December 15, 1976, and in accordance with the provisions set forth in Section VI, article 25 of the By-laws of ECT approved by Decree No. 83.726 of July 17, 1979, has examined the Report of the Administration, the Balance Sheet and other Financial Statements related to the financial year ended December 31, 2006.

2. Based on the documents, the examination during the monthly meetings, the follow-up of the economic-financial administration of the Company, the clarifications of the Board of Directors and the Opinion of the Internal Audit





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TRANSLATION Nº 0892/2007

2

Committee, the Fiscal Council considers that the administrative acts of the present administrators have been performed satisfactorily according to the norms and rules in force and that they do properly reflect in all relevant aspects the financial situation of the Company, inclusive the assets and liabilities of the Company, and the result of the operations of said financial year. Therefore, it is the opinion of the Fiscal Council to approve the financial statements.

3. Finally, also in order to comply with the provisions set forth in Section III, article 25, Decree No. 83.726 of July 17, 1979, and article 4, Decree No. 2.673 of July 16, 1998, the Fiscal Council does also consider acceptable the proposal on the destination of the profit of the financial year according to the accounting records, and recommends that the corresponding documents be forwarded to the Ministry of Communications to which the ECT is attached, so that it can be sent to the Ministry of Finance afterwards; further, that in the procedure for the determination and payment of the Participation in the Profits and Results, the criteria established therefore by the Ministry of Planning, Budget and Administration be duly observed.

Brasilia (DF, Brazil), April 19,2007

(signed) **Adriano Pereira de Paula**

ADRIANO PEREIRA DE PAULA

President of the Fiscal Council

CPF-743481327-04





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3

(signed) **Milton Colen**

MILTON COLEN

CPF-018311275-04

(signed) **Carlos Roberto Paiva da Silva**

CARLOS ROBERTO PAIVA DA SILVA

CPF-027748282-87

=====

IN WITNESS WHEREOF, I HAVE HEREUNTO SET MY HAND AND SEAL
HERE IN THE CITY OF BRASILIA, DF, BRAZIL, ON THIS TWENTY-FIFTH
(25TH.) DAY OF JUNE, 2007 (TWO THOUSAND AND SEVEN).




Prof. Bunny Gustave Persijn
SWORN TRANSLATOR
REG. Nº 3 - JUN 07