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FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002 AND 2001

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

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"A free translation of the original report in Portuguese on financial statements prepared in accordance with accounting principles generally accepted in Brazil."

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INDEPENDENT AUDITOR´S OPINION

To management of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Rio de Janeiro - RJ

1 We have examined the Balance Sheet of Fundo Brasileiro para a Biodiversidade - FUNBIO, as of December 31, 2002, and the respective statements of income, of the changes in net assets and the cash flows corresponding to the year ended on that date, expressed in reais and prepared under the responsibility of the management of the Fund. It is our responsibility to issue an opinion on these financial statements.

2 We conducted our audits in accordance with auditing standards generally accepted in Brazil, which include: (a) planning of the audit, considering the materiality of the amounts presented, the volume of transactions and the entity´s accounting and internal control systems of FUNBIO; (b) examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements; and (c) assessment of the accounting practices used and significant estimates made by FUNBIO`s management, as well as the presentation of the financial statements taken as a whole.

3 In our opinion, the financial statements referred to in the first paragraph fairly represent, in all material aspects, the financial position and equity of Fundo Brasileiro para a Biodiversidade - FUNBIO as of December 31, 2002, the result of operations, the changes in net assets and the cash flows corresponding to the year ended on that date, according to the accounting practices adopted in Brazil.

4 The statements of the year ended on December 31, 2001, presented for comparison purpose, have been audited by other independent auditors, who issued their unqualified opinion, on March 8, 2002.

5 The amounts expressed in Brazillian reais were translated into U.S. dollars in accordance with the method described in Note 2 (h), for the readers`convenience. This translation should not be construed as if the amounts expressed in reais would represent, would have represented or could be exchanged into U.S. dollars.

Rio de Janeiro, April 8, 2003

Luiz Paulo Wulf
Accounting partner
CRC 1RJ068769/O-2
Trevisan Auditores Independentes
CRC 2SP013439/O-5 "S" RJ

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EXHIBIT 1

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

BALANCE SHEET OF DECEMBER 31
(Expressed in thousand of Brazilian reais and in thousands of U.S. dollars)

	R$		US$	
	2002	2001	2002	2001
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	3.559	4.168	1.008	1.797
Investments in foreign currency	3.170	1.950	897	840
Investments in local currency	4.132		1.170	
Investments in foreign managed securities portfolio (note 3)	31.349	26.428	8.874	11.393
Advances to projects (note 4)	1.048	1.795	297	774
Other	16	8	5	4
	43.274	34.349	12.250	14.808
PERMANENT ASSETS				
Fixed assets				
. Computing equipment	231	113	65	49
. Furniture and fixture	99	99	28	43
. Software	47	28	13	11
. Accumulated depreciation	(96)	(49)	(27)	(21)
	281	191	80	82
TOTAL	43.555	34.540	12.330	14.890
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable				
. Wages, payroll and related charges payable	106	111	30	48
. Outsourced services	42	31	12	13
. Portfolio administration fees payable	46	38	13	16
. Revenue from donations	95	60	27	26
. Other	15	6	4	3
	304	246	86	106
Project related donations from partners (note 4)	2.024	3.363	573	1.449
	2.328	3.609	659	1.555
NET ASSETS - EQUITY FUND	41.227	30.931	11.671	13.335
TOTAL	43.555	34.540	12.330	14.890

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

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EXHIBIT 2

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

STATEMENT OF INCOME OF THE YEAR AND CHANGES IN NET ASSETS
(Expressed in thousand of Brazilian reais and in thousands of U.S. dollars)

	R$		US$	
	2002	2001	2002	2001
REVENUES				
Revenues from short term investments				
. In Brazil	317	216	106	92
. Outside Brazil	84	9	28	4
Revenues from the operation of joint projects	3.837	1.068	1.280	454
Revenues from donations and contributions not related to projects	3		1	
World Bank	1.504	17.042	502	7.253
Other	3		1	
	5.748	18.335	1.918	7.803
Net exchange variation	15.134	2.668	5.049	1.136
TOTAL REVENUES	20.882	21.003	6.967	8.939
EXPENSES				
Personnel				
. Salaries and wages	865	479	289	204
. Employer's obligations	59	289	20	123
. Travel per-diems	157	190	52	81
Subtotal	1.081	958	361	408
Services rendered by third parties	625	511	209	217
Other expenses	274	233	91	99
Project execution expenses	6.890	3.110	2.299	1.324
Total	8.870	4.812	2.959	2.048
Loss from financial investments managed by Rothschild Asset Management Limited	1.716	1.545	572	658
TOTAL EXPENSES	10.586	6.357	3.532	2.706
SURPLUS	10.296	14.646	3.435	6.233
NET ASSETS				
Balance at the beginning of the year	30.931	16.285	13.335	8.332
Surplus for the year	10.296	14.646	3.435	6.233
Translation adjustments			(5.099)	(1.230)
Balance at the end of the year (note 7)	41.227	30.931	11.671	13.335

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

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EXHIBIT 3

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

CASH FLOW STATEMENT
(Expressed in thousand of Brazilian reais and in thousands of U.S. dollars)

	R$		US$	
	2002	2001	2002	2001 Reclassified
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus	10.296	14.646	3.435	6.233
Depreciation	44	44	12	19
Unrealized exchange variation on financial results	(13.418)	(994)	(4.477)	(478)
Surplus (deficit) adjusted	(3.078)	13.696	(1.029)	5.774
Conversion adjustment			(5.099)	(1.230)
(Increase) decrease in advances to projects	747	(1.322)	477	(532)
(Increase) decrease of other assets	(8)		(1)	
Increase (decrease) in accounts payable	58	246	(20)	85
Increase (decrease) in donations related to projects	(1.339)	1.515	(876)	504
Net cash flows from (used in) operating activities	(3.620)	14.135	(6.547)	4.601
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Acquisition of fixed assets	(134)	(94)	(10)	(29)
Decrease (increase) in financial investments	3.145	(14.107)	5.768	(4.913)
Net cash flows from (used in) investing activities	3.011	(14.201)	5.758	(4.942)
NET INCREASE (DECREASE) IN CASH	(609)	(66)	(789)	(341)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4.168	4.234	1.797	2.166
TRANSLATION LOSS IN CASH AND CASH EQUIVALENTS	(609)	(66)	(789)	(341)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3.559	4.168	1.008	1.797
NET INCREASE (DECREASE) IN CASH	(609)	(66)	(789)	(341)

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

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FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED AT DECEMBER 31, 2002 AND 2001
(Expressed in thousands of Brazilian reais and in thousands of U. S. dollars)

1 OPERATIONS

FUNBIO has a general objective to contribute to environmental conservation and to the sustainable use of the Brazilian bio-diversity. As a not-for-profit organization, its specific objective is to operate a fund oriented to providing financial and material support to initiatives associated with environmental, conservation and the sustainable use of the bio-diversity located in the national territory, as provided under the Convention on Biological Diversity and also under the National Program for Biological Diversity, as well as in compliance with the guidelines established by the competent government agencies.

The main fund sources are: (a) income from its investments and financial applications inside and outside Brazil; (b) donations from de World Bank/Global Environmental Facility (GEF), and/or from individuals or public/private entities, foreign or local, and from international entities; and (c) payment for services rendered related to the attainment for the FUNBIO's purposes.

On October 1, 1999 the Fund obtained legal autonomy and started to control its operations as of July 1, 2000.

2 SUMMARY OF SIGNIFICANT ACCOUTING PRATICES

Fundo Brasileiro para Biodiversidade – FUNBIO adopts the accounting practices as provided for in the Corporation Law, adapted to the legal provisions and regulations applicable to the non-profitable civil associations.

The most significant accounting practices adopted in the preparation of the financial statements may be summarized as follows:

a Cash and cash equivalents

Represent the cash balance in bank and financial investments of immediate liquidity, which are registered at cost, added of the income verified until the date of the balance, not in excess of the respective market values.

b Investments in foreign currency

Are represented substantially by deposit certificates with bankers abroad, with fixed deadlines and added of income proportionally to the date of the balance, without exceeding the market value. The amounts are converted into reais based on the commercial US dollar purchase rate on the date of the balance.

c Investments in foreign managed securities portfolio

Are recognized based on the values reported in the U.S. dollars statement prepared by Rothschild Asset Management Limited (funds manager) as at the balance sheet date, which includes the invested amount plus accrued income net of any provision for loss, when informed by the funds manager, and are translated into reais by using the official purchase exchange rate at the date of the balance sheet.

d Advances to projects

Represent advances related to the partnership agreements and funding of projects for the preservation and sustainable use of biodiversity.

e Fixed assets

Are stated at acquisition cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

f Project obligations

The obligations with contributions to the projects are accounted for as the projects occur. The Fund makes advances for the projects, and are registered as advances in the current assets.

g Revenues and expenses with projects

Recognized by accrual basis, according to the execution of the projects and the accountability of the fund, by the executor beneficiaries of the projects.

h Translation into U.S. dollars (US$)

The amounts of the Balance Sheet were converted into US dollars based on the exchange rate on December 31, 2002 and 2001 (R$ 3.5325 and R$ 2.3194 respectively, to US$ 1). The amounts of the statement income have been converted at the average dollar exchange rate in the period. The adjustments related to the conversion into US dollars are included in net assets.

3 INVESTMENTS IN FOREIGN MANAGED SECURITIES PORTFOLIO

These investments refer to sundry financial investments in fixed and variable securities, currency and operations with derivative instruments, made by Rothschild Asset Management in the international market. The balance is shown as follows:

	R$		US$	
	2002	2001	2002	2001
"Eurobonds" and other international fixed Income securities				
Brazil		893		385
Canada	283	179	80	77
Europe	8,015	8,441	2,269	3,639
Japan	2,215	58	627	25
USA	5,758	1,079	1,630	465
Other	1,315	501	372	216
Subtotal	17,586	11,150	4,978	4,807
Publicly-held companies' equity securities				
Canada	64	114	18	49
Europe	2,123	2,808	601	1,211
Asia	459	185	130	80
USA	7,768	8,348	2,199	3,599
Other	2,841	3,454	804	1,489
Subtotal	13,255	14,909	3,752	6,428
Cash and cash equivalents	508	369	144	159
Total	31,349	26,428	8,874	11,393

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4 FUNDS RECEIVED FROM PARTNERS AND SPENT WITH PROJECTS

The funds received from the partners for project funding are registered in the liabilities upon receipt, and accounted as advances to projects as such funds are transferred to the projects. The recognition of the partners' donation income and the expenses of the Fund with the projects occur upon the rendering of accounts of the Fund, by the executor beneficiaries thereof, as follows:

		2002										2001			
	Percentage of contributions of third parties in the project	Donations received from third parties		Total allocated funds		Realized expenses less result Project's finance		Advances pending expense accounts		Donation received pending realization of expenditures		Advances pending expense accounts		Donation received pending realization of expenditures	
		R$	US$	R$	US$	R$	US$	R$	US$	R$	US$	R$	US$	R$	US$
Institution/project															
PROMAR Project "Sustainable Use of the Sea/Bio-diversity as na Economical Alternative to the Espirito Santo Coast Communities"	51	81	23 (a)	51	14			51	14	81	23	51	22	81	35
CSN Project "Cicuta"	53	1.000	283 (a)	1.237	350	1.097	311	140	40	419	119	30	13	398	172
Inst. Terra Project "Environmental Education and Recovery of the Atlantic Forest in the Vale do Rio Doce"	50	905	256 (a)	1.937	548	1.811	513	126	36			263	113	166	72
FBDS Project "Monte Alegre"	62	2.200	623 (a)	2.499	707	2.499	707			639	181			785	338
MPE Project "Best Echo-tourism Practives Program"	81	1.432	405 (c)	1.613	457	1.613	457			37	10			407	175
IESB Project "Joint Management of Natural Resources and Forests"	50		(b)	194		172		22				24	10		
Agrotec Project "Production and Commercialization of Fruit Pulp from the Cerrado and Caatinga"			(b)	80		58		22		3		57	25		
G. Sertão Projeto "Agro-Extrating and Refining of Fruits Pulps in the Cerrado and Caatinga"			(b)	102		60		42				68	29		
APA Project P "Joint processing and commercialization of the Amazon Agro-Florestal Products"			(b)	121		120		1				69	30		
AS - PTA Project "Stopping the Genetic Erosion in Agriculture, Recovery, Concervation and Sustainable Use of Traditional Varieties by Small Producers Communities"	50	486	138 (b)	973	275	891	252	82	23	41	12	44	19		
RURECO Project "Conservation and Sustainability Use of Natural Resources in the Paraná Center-West Region"	51	298	84 (a)	323	91	322	91	1		134	38	32	14	21	9
Fundação Ford	50	2.458	696 (a)	1.408	399	1.291	365	117	33	342	97	99	43	812	350
Others		212	60	910	258	669	189	444	126	328	93	1.058	456	693	298
		9.072	2.568	11.448	3.241	10.603	3.002	1.048	297	2.024	573	1.795	774	3.363	1.449

(a) Joint contracts with non-governmental entities whose funds are donated to and managed by the Fund to execute projects.
(b) Joint contracts with other entities who do not have any funds from other sources or whose third party funds are directly allocated to the operation of project without the Fund`s intervention.
(c) Project executed by the Fund with partners financial support.

The US dollar amounts were converted at the exchange rate of the end of the year, except the values recorded in Realized Expenses, which were converted by the average rate of the year.

5 PROJECT BUDGETS

Budgets for the expenditures specified in the contracts signed with the projects operting parties, in accordance with the Fiduciary Fund for the World Environment (GEF) and its Annexes and with the FUNBIO operations Manual:

							2002		2001	
	FUNBIO´s Fund			Third party´s funds		Budget of projects managed by FUNBIO		Budget of projects managed by FUNBIO		
	R$	US$		R$	US$	R$	US$	R$	US$
Institution/project									
PROMAR Project "Sustainable Use of the Sea/Bio-diversity as an Economical Alternative to the Espirito Santo Coast Communities"	513	145	(a)	540	153	1.053	298	1.053	454
CSN Project "Cicuta"	890	252	(b)	1.000	283	1.890	535	1.890	815
Inst. Terra Project "Environmental Education and Recovery of the Atlantic Forest in the Vale do Rio Doce"	1.244	352	(a)	1.245	352	2.489	705	2.243	967
FBDS Project "Monte Alegre"	1.922	544	(b)	3.200	906	5.122	1.450	5.122	2.207
MPE Project "Best Echo-tourism Practices Program"	330	93	(b)	1.450	410	1.780	504	1.584	683
Fundação Ford	894	253	(a)	894	253	1.788	506	1.624	700
RURECO Project "Conservation and Sustainability Use of Natural Resources in the Paraná Center-West Region"	354	100	(b)	375	106	729	206	729	315
AS - PTA Project "Stopping the Genetic Erosion in Agriculture, Recovery, Conservation and Sustainable Use of Traditional Varieties by Small Producers Communities"	1.649	467	(b)	1.649	467	3.298	934	629	271
Others	1.914	542		311	88	2.225	630	5.147	2.217
Total	9.710	2.749		10.664	3.019	20.374	5.768	20.021	8.629

(a) Agreement executed in US dollars.
(b) Agreements executed in Reais.

Amounts in U.S. dollars were translated using the exchange rate in effect at year-end.

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6 PROJECT COMMITMENTS

Refer to on lending to the projects, in compliance with the Donation Agreement with the Fiduciary Fund for the World Environment (GEF) an its Annexes and the FUNBIO Operations Manual, as determined in the respective contracts signed by the parties. The projects and on lending balances are as follows:

							2002
	Total funds Managed by FUNBIO			Total of resources transferred		Resources transferable	
	R$	US$		R$	US$	R$	US$
Institution/project							
PROMAR Project "Sustainable Use of the Sea/Bio-Diversity as na Economical Alternative to the Espírito Santo Coast Communities"	1.053	298	(a)	51	14	1.002	284
CSN Project "Cicuta"	1.890	535	(b)	1.237	350	653	185
Inst. Terra Project "Environmental Education and Recovery of the Atlantic Forest in the Vale do Rio Doce"	2.488	704	(a)	1.937	548	551	156
FBDS / Klabin Project " Monte Alegre"	5.122	1.450	(b)	2.499	707	2.623	743
MPE Project "Best Echo-tourism Practices Program"	1.781	504	(b)	1.613	457	168	48
Fundação Ford	1.788	506		1.408	399	380	108
RURECO Project "Conservation and Sustainability Use of Natural Resources in the Paraná Center-West Region"	729	206	(b)	323	91	406	115
AS - PTA Project "Stopping the Genetic Erosion in Agriculture, Recovery, Conservation and Sustainable Use of Traditional Varieties by Small Producers Communities"	3.298	934	(b)	973	275	2.325	658
Others	608	172		422	119	186	53
Sub-total	18.757	5.310		10.463	2.962	8.294	2.348
Project 100% made with Funbio resources	1.617	458		985	279	632	179
Total	20.374	5.768		11.448	3.241	8.926	2.527

a Agreement executed in US dollars.
b Agreement executed in reais.

Amounts in U.S. dollars were translated using the exchange rate in effect at year-end.

7 NET ASSETS

Comprised by donations from Banco Mundial and non-governmental organizations to subsidize projects oriented to the conservation and sustainable use of the biodiversity.

8 TAXES

Funbio is a non-profitable civil organization exempted of certain federal taxes.

During the year of 2002, the management of the entity started actions so as to evaluate the compliance with the conditions provided for by law to prevent questioning of tax authorities.

* * *