

The Amazon Fund

*(Managed by the Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)*

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

*Financial Statements for the Years
Ended December 31, 2010 and 2009
and Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

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

INDEPENDENT AUDITOR'S REPORT

To the Management of
The Amazon Fund
(Managed by the Brazilian Development Bank - BNDES)
Rio de Janeiro, RJ

We have audited the accompanying financial statements of the Amazon Fund (the "Fund"), which comprise the balance sheet as at December 31, 2010, and the statement of surplus, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities, as well as for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Amazon Fund as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to nonprofit entities.

Other Matters

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, April 27, 2011


DELOITTE TOUCHE TOHMATSU
Auditores Independentes


Marcelo Cavalcanti Almeida
Engagement Partner

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THE AMAZON FUND

(Managed by the the Brazilian Bank - BNDES)

BALANCE SHEET

As at December 31, 2010 and 2009 and
(In thousands of Brazilian reais – R\$)

	Note	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	85,994	37,105
Total assets		<u>85,994</u>	<u>37,105</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Project funds	5	84,394	36,000
EQUITY			
Accumulated surplus		1,600	1,105
Total Liabilities and Net Assets		<u>85,994</u>	<u>37,105</u>

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

THE AMAZON FUND
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STATEMENT OF SURPLUS
As at December 31, 2010 and 2009 and
(In thousands of Brazilian reais – R\$)

	<u>2010</u>	<u>2009</u>
REVENUES		
Donations for investments	11,106	-
Donations for support	1,687	1,093
Financial income	5,244	665
EXPENDITURES		
Expenses on donations for investment	(11,106)	-
Expenses with interest paid on project funds	(5,086)	(645)
Administrative expenses	(1,352)	(8)
SURPLUS FOR THE YEAR	<u>495</u>	<u>1,105</u>

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STATEMENT OF CHANGES IN EQUITY
As at December 31, 2010 and 2009 and
(In thousands of Brazilian reais – R\$)

	<u>Accumulated surplus</u>	<u>Total</u>
Surplus for 2009	<u>1,105</u>	<u>1,105</u>
Balance as at December 31, 2009	1,105	1,105
Surplus for 2010	<u>495</u>	<u>495</u>
Balance as at December 31, 2010	<u>1,600</u>	<u>1,600</u>

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THE AMAZON FUND
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STATEMENT OF CASH FLOWS
As at December 31, 2010 and 2009 and
(In thousands of Brazilian reais – R\$)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	495	1,105
Capitalized interest paid on project funds	5,086	645
Interest paid to the BNDES for advances on expenses with donations for investments	(143)	-
Funds from operating activities	5,438	1,750
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds raised to finance projects	54,557	35,355
Funds used in projects	(11,106)	-
Funds from financing activities	43,451	35,355
INCREASE IN CASH AND CASH EQUIVALENTS	48,889	37,105
Cash and cash equivalents at beginning of year	37,105	-
Cash and cash equivalents at end of year	85,994	37,105
INCREASE IN CASH AND CASH EQUIVALENTS	48,889	37,105

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

THE AMAZON FUND
(Managed by the Brazilian Development Bank- BNDES)

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2010 and 2009 and

(In thousands of Brazilian reais – R\$)

1. GENERAL INFORMATION

The Amazon Fund, created under BNDES Resolution N°. 1,640, of September 3, 2008, is engaged in raising funds for non-reimbursable investments to prevent, monitor, and combat deforestation, and to foster the preservation and sustainable use of the Amazon rainforests, pursuant to Decree N°. 6,527, of August 1, 2008.

The Amazon Fund supports projects in the following areas:

- Management of public forests and protected areas;
- Environmental control, monitoring and inspection;
- Sustainable forest management;
- Economic activities developed from the sustainable use of forests;
- Ecological and economic zoning, land-use planning and land-title regularization;
- Preservation and sustainable use of biodiversity; and
- Recovery of deforested areas.

The Amazon Fund is managed by the Brazilian Development Bank (BNDES), which is also responsible for raising funds, contracting and monitoring the sponsored projects and efforts.

The Amazon Fund has a Guidance Committee (COFA), which is responsible for establishing guidelines and monitoring its performance.

The Amazon Fund became operational on October 9, 2009, with funds from donations.

The Amazon Fund is not a legal entity on its own and, thus, its transactions are recorded in the BNDES' specific accounts.

THE AMAZON FUND
(Managed by the Brazilian Development Bank- BNDES)

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2010 and 2009
(In thousands of Brazilian reais – R\$)

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared and are presented in conformity with accounting practices adopted in Brazil for nonprofit entities, according to the Brazilian Accounting Standard (NBC) 10.19, approved by Federal Accounting Council (CFC) Resolution N°. 877, dated April 18, 2000.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include bank deposits and highly liquid short-term investments subject to an insignificant risk of change in value. These investments are classified as securities held for trading and recorded at cost plus income earned through the reporting date, and adjusted at fair value and classified in current assets. Income, gains and losses on these securities are recognized in income for the period.

Project funds

Recorded in liabilities, since the amounts do not result in the Entity's equity to be increased or decreased, as the Fund acts solely as an agent collecting and transferring amounts for the projects to be executed.

Donations for support

Donations for supporting the Fund's activities are recorded in surplus for the period when actually received.

Statement of cash flows

The Fund elected to present the statement of cash flows using the indirect method. The project funds were treated as financing activities, as the Fund acts solely as an agent collecting and transferring such funds.

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NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2010 and 2009
(In thousands of Brazilian reais – R\$)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	2010	2009
Unused funds	6,647	-
Short-term investments – Gaia Fund	79,323	37,105
Income receivable	24	-
TOTAL	85,994	37,105

The Gaia Fund is backed by government bonds, and the resources available at the BNDES yield the same as the Gaia Fund.

5. PROJECT FUNDS

Project funds were received from the Norwegian Ministry of Foreign Affairs and are earmarked for specific projects related to the purposes of the Amazon Fund. Through December 31, 2010, the following projects had already been contracted:

	R\$ mil	
Party Requesting Support	Operations contracted	Amount disbursed
State of Acre	60,000	-
State of Amazonas	20,000	-
Sustainable Amazon Foundation - FAS	19,169	3,999
The Brazilian Biodiversity Fund - Funbio	20,000	4,999
Amazon Institute of People and the Environment - Imazon	9,736	-
Ouro Verde Institute	5,433	1,335
State of Pará's Department of Environment	15,923	-
The Nature Conservancy (TNC) do Brasil	16,000	773
Total		11,106

The amount of R\$11,106 is recorded under item lines Revenue from donations for investments and Expenses on donations for investments. This amount is recorded in both line items, resulting in a zero balance, as the Amazon Fund is a nonprofit organization.

The project funds yield interest based on the same index as that used to adjust cash and cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS
As at December 31, 2010 and 2009
(In thousands of Brazilian reais – R\$)

LUCIANO COUTINHO
President

ARMANDO MARIANTE CARVALHO JUNIOR
Vice-President

JOÃO CARLOS FERRAZ
Managing Director

ELVIO LIMA GASPAR
Managing Director

WAGNER BITTENCOURT DE OLIVEIRA
Managing Director

EDUARDO RATH FINGERL
Managing Director

MAURICIO BORGES LEMOS
Managing Director

VÂNIA MARIA DA COSTA BORGERTH
Head of the Accounting Department
Accountant
CRC-RJ 064.817-4