

Fundo Amazônia
(Administered by Banco Nacional de Desenvolvimento
Econômico e Social - BNDES)

Financial statements
December 31, 2013 and 2012



KPMG Auditores Independentes
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Independent auditors' report on the financial statements

To
The Administrator
Fundo Amazônia
Brasília - DF

We have audited the accompanying financial statements of Fundo Amazônia ("Fund"), which comprise the balance sheet as of December 31, 2013 and the related statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 2013, as well as the summary of significant accounting policies and other notes to the financial statements.

The Administrator's responsibility for the financial statements

The Fund's Administrator is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil applicable to nonprofit entities in accordance with the provisions of Resolution CFC 1409/2012 and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the independent auditors

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 our 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, we consider 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 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 basis for our opinion.



Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Fundo Amazônia as of December 31, 2013 and the performance of its operations for the year then ended, in accordance with accounting practices adopted in Brazil applicable to nonprofit entities in accordance with the provisions of CFC Resolution 1409/2012.

Rio de Janeiro, April 30, 2014

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

(Original report in Portuguese signed by)
Carlos Eduardo Munhoz
Accountant CRC 1SP138600/O-7

FUNDO AMAZÔNIA
(Administered by Banco Nacional de Desenvolvimento
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BALANCE SHEETS
December 31, 2013 and 2012
(In thousands of reais)

	Note	2013	2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1,463,071	90,888
Prepaid expenses	5	45,607	-
Total assets		<u>1,508,678</u>	<u>90,888</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Project funds	6	1,463,068	90,885
Support funds	7	45,607	-
SHAREHOLDERS' EQUITY			
Accumulated surplus		3	3
Total liabilities and shareholders' equity		<u>1,508,678</u>	<u>90,888</u>

See the accompanying notes to the financial statements.

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STATEMENTS OF INCOME
Years ended December 31, 2013 and 2012
(In thousands of reais)

	Note	2013	2012
INCOME			
Income from donations for investments	6	80,903	71,206
Income from donations for support	3.3	724	3,566
Financial income	4	30,471	7,052
EXPENSES			
Expenses with donations for investment	6	(80,903)	(71,206)
Expenses with remuneration of project funds	6	(30,471)	(6,855)
Administrative expenses	8	(724)	(5,026)
DEFICIT FOR THE YEAR		<u>-</u>	<u>(1,263)</u>

See the accompanying notes to the financial statements.

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
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	<u>Accumulated surplus</u>
Balance at January 01, 2012	1,266
Deficit for 2012	<u>(1,263)</u>
Balance at December 31, 2012	3
Fiscal year 2013	<u>-</u>
Balance at December 31, 2013	<u>3</u>

See the accompanying notes to the financial statements.

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STATEMENTS OF CASH FLOWS
December 31, 2013 and 2012
(In thousands of reais)

	<i>Note</i>	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES			
Deficit for the year		-	(1,263)
Expenses with remuneration of project resources	6	30,471	6,855
Proceeds from operating activities		30,471	5,592
FINANCING ACTIVITIES			
Funds raised for projects	6	1,422,615	115,302
Funds invested in projects	6	(80,903)	(71,206)
Funds from financing activities		1,341,712	44,096
INCREASE IN CASH AND CASH			
EQUIVALENTS		<u>1,372,183</u>	<u>49,688</u>
Cash and cash equivalents at beginning of year		90,888	41,200
Cash and cash equivalents at end of year		4	<u>90,888</u>
INCREASE IN CASH AND CASH			
EQUIVALENTS		<u>1,372,183</u>	<u>49,688</u>

See the accompanying notes to the financial statements.

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1. CONTEXT OF ACTIVITIES

The purpose of Fundo Amazônia, created by BNDES Resolution 1,640, of September 3, 2008, starting its activities on October 9, 2009, is to raise donations for non-reimbursable investments in actions for prevention, monitoring and combating deforestation and for encouraging conservation and sustainable use of the forests in the Amazon biome, in the terms of Decree 6527 of August 1, 2008.

Fundo Amazônia supports projects in the following areas:

- Management of public forests and protected areas;
- Environmental control, monitoring and surveillance;
- Sustainable forest management;
- Economic activities arising from the sustainable use of forests;
- Ecological and economic zoning, land use and land tenure;
- Conservation and sustainable use of biodiversity, and
- Recovery of deforested areas.

The management of Fundo Amazônia is the responsibility of Banco Nacional de Desenvolvimento Econômico e Social - BNDES, where amongst others it is responsible for fundraising, contracting and monitoring projects and supported actions, as well as acting as a legal representative.

Fundo Amazônia has a Steering Committee - COFA which is responsible for determining its guidelines and monitoring the results. The members of this committee are not paid for their duties, since their tasks are considered services of public interest.

Fundo Amazônia has no legal personality, and its transactions are written up in specific accounts of the accounting records of Banco Nacional de Desenvolvimento Econômico e Social – BNDES.

2. PREPARATION BASIS

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil for nonprofit entities, in conformity with NBC (Brazilian Accounting Standard) - 10.19, approved by Resolution 877 of April 18, 2000, issued by the Federal Accounting Council.

The Administrator of Fundo Amazônia authorized the issuing of these financial statements on April 14, 2014.

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a. Valuation basis

The financial statements were prepared based on the historical cost, except for financial investments recorded as financial instruments measured at fair value through profit or loss.

b. Functional currency

The Administrator concluded that the Fund's functional currency is the Real.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described in detail below have been applied consistently to all the years presented in these financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents include bank deposits and financial investments with immediate liquidity with the administrator and with an insignificant risk of change in market value. The yields from the investments made with the administrator are pegged to the variation of the quota of the invested fund as described in Note 4.

3.2 Project Funds

It refers to the balance of donations received and not yet invested in projects, including income derived from the investment of these funds.

In conformity with Decree 6527 of August 1, 2008, only 97% of the funds received are allocated to projects. The amounts are recorded as liabilities, less the expenses incurred of each project, since they do not result in an increase or decrease in the Entity's equity, considering that the Fund is only the collecting and forwarding agent for execution of the projects.

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3.3 Donations for support

Pursuant to paragraph 3 of Article 1 of Decree 6527/2008, BNDES should separate the amount equivalent to 3% of the value of the donations to cover its operating costs and expenses related to Fundo Amazônia. The portion of the donations for support, up till December 2012, was 100% accounted for as revenue in the period when actually received. However, after that date, support revenues related to 3% of the donations came to be counted as "support funds", being recognized as revenue resource utilization by BNDES. The transfer register of 3% accomplished to BNDES is presented as "prepaid expenses" and appropriated as "Administrative Expenses" accordance with the need to usage the BNDES.

3.4 Statement of Cash Flows

The Fund chose the indirect method for the presentation of this statement. The funds received from projects were treated as financing activities, considering that the Fund only acts as a collecting agent and forwarder of these funds.

4. CASH AND CASH EQUIVALENTS

Their breakdown is as follows:

	<u>2013</u>	<u>2012</u>
Funds not invested (*)	3	3
Financial investment with the administrator (**)	1,463,068	90,885
TOTAL	<u>1,463,071</u>	<u>90,888</u>

(*) The Fund holds an average of R\$ 3 which is not invested, in a current account for any administrative expenses charged by BNDES.

(**) The Administrator maintains the Fund's resources invested in the investment fund BB Gaia Fundo de Investimento Renda Fixa, which has a portfolio concentrating in government bonds of the Brazilian government and with BB Gaia II Fundo de Investimento em Cotas de Fundo de Investimento Renda Fixa, which concentrates at least 95% of its assets in shares of BB Gaia Fundo de Investimento em Renda Fixa. Both funds have a clause for daily liquidity.

In conformity with Decree 6527 of August 1, 2008, the percentage of 97% of the donations received is earmarked for investment in projects. The Fund separates these funds in specific investment account. Resources, while not directed to projects, are

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invested by BNDES in the abovementioned exclusive funds managed by BB DTVM and remunerated based on the yield index of each one.

Additionally, the exclusive fund Gaia II FIC was created in response to Board Decision 832/2012, which established the accounting segregation of the funds raised from Brazilian public sources, which cannot be allocated to projects carried out by the Federal Government.

The changes in cash and cash equivalents are as follows:

	2013			
	Total	Funds for projects (Gaia FI)	Funds for projects (Gaia II FIC)	Funds for support
Balance at January 01, 2013	90,888	90,885	-	3
Transfer - GAIA II		(5,085)	5,085	
Yield	30,471	30,344	127	-
Resources held by BNDES (3%)	(43,998)	-	-	(43,998)
Funds released	(80,903)	(80,903)	-	-
Donations received	1,466,613	1,422,293	322	43,998
Norwegian Ministry of Foreign Affairs	1,449,642	1,406,153	-	43,489
KFW	15,954	15,476	-	479
Petrobras	1,017	664	322	30
Balance at December 31, 2013	1,463,071	1,457,534	5,534	3

	2012			
	Total	Funds for projects (Gaia FI)	Funds for support	
Balance at January 01, 2012	41,200	39,934	1,266	
Yield	7,052	6,855	197	
Administrative expense	(5,026)	-	(5,026)	
Funds released	(71,206)	(71,206)	-	
Donations received	118,868	115,302	3,566	
Norwegian Ministry of Foreign Affairs	118,254	114,706	3,548	
Petrobras	614	596	18	
Balance at December 31, 2012	90,888	90,885	3	

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5. PREPAID EXPENSES

The balance of prepaid expenses consists of the equivalent of 3% of the amount of donations, held by BNDES to cover the operating costs of Fundo Amazônia, net of the amounts recognized as “Administrative expenses” in Fundo Amazônia in accordance with their use by BNDES.

6. PROJECT FUNDS

The balance of project funds was received from the following donors, the Norwegian Ministry of Foreign Affairs, KFW and Petrobras and are earmarked for specific projects, and linked to the objective of Fundo Amazônia.

The changes in the project funds are as follows

	<u>2013</u>
Balance at January 01, 2013	90,885
Yields	30,471
Funds released	(80,903)
Donations received (*)	<u>1,422,615</u>
Balance at December 31, 2013	<u>1,463,068</u>

	<u>2012</u>
Balance at January 01, 2012	39,934
Yields	6,855
Funds released	(71,206)
Donations received (*)	<u>115,302</u>
Balance at December 31, 2012	<u>90,885</u>

(*) Net amount of the portion of 3% intended to cover costs.

The amount of R\$ 80,903 (R\$ 71,206 in 2012) is recorded in the statement of income as “Income from donations for investments” and “Expenses with donations for investments”, canceling each other due to the fact that Fundo Amazônia is a nonprofit entity.

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Since the start of its activities until December 31, 2013, Fundo Amazônia has received funds from the following donors:

Donor	Up to 2013		
	Support funds 3%	Project funds 97%	Total 100%
Norwegian Ministry of Foreign Affairs	49,617	1,604,327	1,653,944
KFW	678	21,920	22,598
Petrobras	268	8,678	8,946
Total	50,563	1,634,925	1,685,488

Donor	Up to 2012		
	Support funds 3%	Project funds 97%	Total 100%
Norwegian Ministry of Foreign Affairs	6,129	198,174	204,303
KFW	199	6,444	6,643
Petrobras	237	7,692	7,929
Total	6,565	212,310	218,875

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The amounts released for projects are presented in the table below:

Abbreviated name of the Project	Contracted	Released		Total	Releases in 2013
		Up till 2012	2013		
ACRE STATE	60,000	31,557	5,000	36,557	23,443
ACRE STATE - CAR	16,838	0	0	0	16,838
ALTA FLORESTA/MT	2,782	2,699	83	2,782	0
ALTA FLORESTA/MT II	7,183	0	603	603	6,580
AMAZON, STATE	20,000	15,267	2,249	17,516	2,484
ANAPU/PA	432	0	0	0	432
FIRE BRIGADE AC	13,281	5,835	0	5,835	7,446
FIRE BRIGADE MT III	12,625	579	7,690	8,269	4,356
FIRE BRIGADE PA	16,830	0	16,830	16,830	0
FIRE BRIGADE RO I	15,041	0	4,324	4,324	10,717
FIREBRIGADE TO I	5,000	1,700	1,228	2,928	2,072
CARLINDA/MT	1,871	1,367	140	1,507	364
FAS BOLSA FLORESTA/2009-2013	19,169	10,753	3,481	14,234	4,935
FASE/FUNDO DEMA	9,347	590	2,161	2,751	6,596
FUNDAÇÃO BANCO DO BRASIL	15,000	0	6,687	6,687	8,313
FUNBIO/ARPA II	20,000	14,999	2,500	17,499	2,501
FUNBIO/KAYAPO	16,900	7,196	155	7,351	9,549
IBAM	18,853	0	1,176	1,176	17,677
IFT	7,449	4,118	2,554	6,672	777
IMAZON	9,736	6,576	1,738	8,314	1,422
INSTITUTO MAMIRAUÁ	8,505	0	1,239	1,239	7,266
IOV SEMENTES DO PORTAL	5,423	4,938	485	5,423	0
IOV SEMENTES DO PORTAL II	16,086	0	0	0	16,086
IPAM	24,939	4,492	3,963	8,455	16,484
ISPN	12,844	579	2,348	2,927	9,917
JACUNDA/PA	792	0	0	0	792
MARANHÃO, STATE	20,036	0	0	0	20,036
MARCELANDIA/MT – REC. APP	669	0	182	182	487
MUSA	8,454	2,437	3,282	5,719	2,735
OTCA – MONIT. AMAZONIA REGIONAL	23,694	0	4,700	4,700	18,994
PORTO DOS GAUCHOS/MT	134	121	0	121	13
RIOTERRA	9,117	0	0	0	9,117
ENVIRONMENT AGENCY, PARA	15,923	9,624	2,158	11,782	4,141
ENVIRONMENT AGENCY, TOCANTINS	40,504	0	0	0	40,504
SEPROR AGROECOLÓGICA	14,900	0	0	0	14,900
SERVIÇO FLORESTAL BRASILEIRO	65,000	0	0	0	65,000
TNC BRASIL	16,000	11,613	0	11,613	4,387
UEA CARTOGRAFIA SOCIAL	4,615	2,050	1,738	3,788	827
UFPA BIODIVERSITY	4,640	0	765	765	3,875
UFPA BIOACTIVE COMPOUNDS	1,352	0	0	0	1,352
UFPA MANGROVE FORESTS	1,982	1,080	0	1,080	902
UFPA ISLANDS OF BELEM	1,138	621	0	621	517
UFPA/NAEA AMAZON FORUM	2,704	1,260	1,444	2,704	0
Total	587,788	142,051	80,903	222,954	364,834

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7. SUPPORT FUNDS

The balance of costing funds refers to the portion of the donation (3%) retained by BNDES not yet recognized as "Donation revenue ". The recognition of the donation revenue occurs according to the use of resources by BNDES.

8. ADMINISTRATIVE EXPENSES

Up till November 2012, the support funds of the Fund were transferred to BNDES as the administrative expenses were calculated and collected by BNDES.

As from 2013, the recognition of expenses was recorded as corresponding entries against the "Prepaid Expenses" account, according to the use of resources by BNDES.

The breakdown of administrative expenses is as follows:

	<u>2013</u>	<u>2012</u>
Travel and per diem expenses	-	526
Audit	-	176
Committees	-	22
Seminars and events	-	71
Publicity	-	1,872
Other expenses	724	2,359
Total	<u>724</u>	<u>5,026</u>

9. TAXES

All tax obligations that perchance exist on account of transactions in the sphere of Fundo Amazônia are the responsibility of BNDES, as the Fund does not have its own legal personality, and its transactions are written up in specific bookkeeping accounts of BNDES.

PIS and COFINS

According to Article 1 of Law 11,828, of November 20, 2008, amended by Law 12.810, of May 15, 2013, donations in cash received by public financial institutions controlled by the Government and intended for actions to prevent, monitor and combat deforestation, including compensation programs for environmental services, and promoting conservation and sustainable use of Brazilian biomes are exempted from PIS-PASEP and from the Contribution for the Financing of Social Security (COFINS)

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Before the amendment of May 15, 2013, Law 11,828 provided effects suspending the levy covering donations whose distribution was made within a maximum period of two years as from the month following the receipt of the donation, requiring, in the event of non distribution during this period, the collection of unpaid contributions, plus interest and a fine on arrears, in the terms of the law.

Income tax and social contribution

There is no income to be presented for taxation of income tax (IRPJ) and social contribution on net income (CSLL) as the income from a donation is recognized at the same time as the recognition of operating expenses with projects envisioned within the sphere of Fundo Amazônia, as approved by the solution to request for a ruling 59 SRRF07/Disit of 06/08/2009, made by BNDES to the Federal Revenue Department.

10. RELATED PARTY TRANSACTIONS

The Fundo Amazônia has a relationship with Banco Nacional do Desenvolvimento Econômico e Social – BNDES, which is authorized to distribute the value of the donations received in cash, for realizing non-reimbursable investments in actions for preventing, monitoring, and combating deforestation and promoting conservation and sustainable use of the Amazon biome. This relationship refers to the amounts corresponding to “cash and cash equivalents” (in accordance with note 4), which are encountered in bank accounts, held by BNDES.

Additionally, BNDES withholds the amount equivalent to 3% of the amount of the donations to cover its operating costs and expenses related to Fundo Amazônia.

11. SHAREHOLDERS' EQUITY

The shareholders' equity of Fundo Amazônia is composed of the surplus/deficit for the years.


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12. RISK MANAGEMENT

At December 31, 2013 and 2012 the Fund presents no material credit, liquidity, market and operational risks, as it has very limited operations. The Fund has a concentration of credit risk with its Administrator as presented in Note 4. The carrying amount represents the amount of the credit risk of the Fund.


GUILHERME NARCISO DE LACERDA
Director


SELMO ARONOVICH
Superintendent of the Financial Department


CARLOS FREDERICO RANGEL DE CARVALHO SILVA
Head of the Accounting Department
Accountant
CRC-RJ 087956/O-8