



**FUNDO BRASILEIRO PARA A
BIODIVERSIDADE - FUNBIO**

**Financial Statements for Year Ended December 31, 2012 and
Independent Auditors' Report**

(Free translation)



Financial Statements

As at December 31, 2012 and 2011

Contents

Independent auditor’s report on financial statements	3 - 4
Balance Sheets	5
Statements of (Deficit) / Surplus	6
Statements of Changes in Equity	7
Statements of Cash Flows – Indirect method	8
Notes to the Financial Statements	9 - 40

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors and Managers
Fundo Brasileiro para Biodiversidade – FUNBIO
Rio de Janeiro - RJ

We have audited the accompanying financial statements of Fundo Brasileiro para Biodiversidade – FUNBIO, which comprise the balance sheet as at December 31, 2012 and the statements of (deficit)/surplus, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements free from material misstatement, regardless of it being caused by 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 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 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 entity'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 entity'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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fundo Brasileiro para Biodiversidade – FUNBIO as at December 31, 2012, the performance of its operations and its cash flows for the years ending on these dates according to the accounting practices adopted in Brazil.

Other matters

The financial statements balances for the year ended December 31, 2011, presented for comparison purposes, were audited by other independent auditors, who issued an unqualified report thereon dated March 22, 2012.

Rio de Janeiro, March 27, 2013.

Mazars Auditores Independentes
CRC 2SP023701/O-8



Carlos Aragaki
Contador
CRC 1SP132091/O-1

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Balance Sheets

At December 31

In thousands of reais

ASSETS	Note	<u>2012</u>	<u>2011</u>	LIABILITIES AND EQUITY	Note	<u>2012</u>	<u>2011</u>
Current assets				Current liabilities			
Cash and cash equivalents	5	325,705	207,613	Suppliers	7	1,644	956
Other accounts receivables		<u>268</u>	<u>620</u>	Salaries and social charges	8	1,253	931
		<u>325,973</u>	<u>208,233</u>	Taxes and contributions		153	99
				Third-party funds linked to projects	9	149,890	85,086
				Advances for projects		-	769
				Other accounts payable		<u>61</u>	<u>37</u>
						<u>153,001</u>	<u>87,878</u>
Non-current assets				Non-current liabilities			
Property plant and equipment	6	682	836	Fund of resources FUNBIO	10	14,164	12,680
Intangible assets		<u>24</u>	<u>44</u>	Third-party funds linked to projects – Funds	9	<u>159,086</u>	<u>108,054</u>
		<u>706</u>	<u>880</u>			<u>173,250</u>	<u>120,734</u>
				Equity			
				Accumulated surplus		501	449
				(Deficit)/surplus for the year		<u>(73)</u>	<u>52</u>
						<u>428</u>	<u>501</u>
TOTAL ASSETS		<u><u>326,679</u></u>	<u><u>209,113</u></u>	TOTAL LIABILITIES AND EQUITY		<u><u>326,679</u></u>	<u><u>209,113</u></u>

The accompanying notes from management are part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Statement of (Deficit) Surplus

Years Ended December 31

In thousands of reais

	<u>Note</u>	<u>2012</u>	<u>2011</u>
Operating revenues			
Project reimbursement	11	6,729	2,925
Administration fees	12	1,849	1,272
Services rendered	13	<u>694</u>	<u>1,145</u>
Total revenues		9,272	5,342
Operating expenses			
Administrative			
Salaries and charges		(7,176)	(6,886)
Third-party services		(749)	(672)
Rental and maintenance		(446)	(698)
General		(787)	(764)
Travel		<u>(295)</u>	<u>(108)</u>
Total expenses		<u>(9,453)</u>	<u>(9,128)</u>
Finance income, net	14	<u>108</u>	<u>138</u>
Operational loss		<u>(73)</u>	<u>(3,648)</u>
Projects			
Rendering of accounts – approved	9	49,488	32,878
Reimbursement of partners	9	(22,204)	(16,057)
Funds used	9	(28,871)	(17,020)
Rendering of accounts – in progress	9	<u>1,587</u>	<u>199</u>
Project results		<u>-</u>	<u>-</u>
Funds used	10	<u>-</u>	<u>3,700</u>
(Deficit)/surplus for the year		<u><u>(73)</u></u>	<u><u>52</u></u>

The accompanying notes from management are part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Statement of Changes in Equity

Years Ended December 31

In thousands of reais

	Accumulated Surplus	(Deficit)/ surplus for the year	Total
At January 1, 2011	449	-	449
Surplus for the year	-	52	52
Transfer to accumulated surplus	52	(52)	-
At December 31, 2011	501	-	501
Deficit for the year	-	(73)	(73)
Transfer to accumulated surplus	(73)	73	-
At December 31, 2012	428	-	428

The accompanying notes from management are part of these financial statements.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Statement of Cash Flows

Years Ended December 31

In thousands of reais

	2012	2011
Cash flows from operating activities		
(Deficit)/surplus for the year	(73)	52
Adjustments		
Residual value of property and equipment written off	23	8
Depreciation and amortization	275	137
	225	197
Changes in assets and liabilities		
Other accounts receivables	352	(462)
Suppliers	688	721
Salaries and labor charges	322	(250)
Taxes and contributions	54	1
Advances for projects	(769)	769
Other accounts payable	24	19
Net cash provided by operating activities	896	995
Cash flows from investing activities		
Additions to property, plant and equipment and intangible assets	(124)	(538)
Net cash used in investing activities	(124)	(538)
Cash flows from financing activities		
Receipt of funds linked to projects	143,210	109,889
Return on funds linked to projects	14,657	6,588
Exchange variations on funds linked to projects	10,493	6,280
Financial management of funds linked to projects	(573)	(4,607)
Project costs	(51,951)	(33,077)
Increase/(decrease) in resource funds	1,484	(2,437)
Net cash used in financing activities	117,320	82,636
Increase in cash and cash equivalents, net	118,092	83,093
Changes in cash and cash equivalents		
At the end of the year	325,705	207,613
At the beginning of the year	207,613	124,520
(Decrease) increase in cash and cash equivalents, net	118,092	83,093

The accompanying notes from management are part of these financial statements.

1. Operations

"Funbio's mission is to contribute strategic resources for the preservation of biodiversity."

Funbio - Fundo Brasileiro para a Biodiversidade is a non-profit civil entity with the status of Public Interest Civil Partnership Organization (*Organização da Sociedade Civil de Interesse Público – OSCIP*). Funbio originated from international agreements arising from Rio 92, the Convention on Biological Diversity (*Convenção da Diversidade Biológica - CDB*). After 16 years old, Funbio is considered the main institution dedicated to promote partnerships between the public and private sectors in order to accomplish CDB's objectives.

Funbio was originally formed with a USD 20 million donation made by the Global Environment Facility (GEF) and since its inception has driven agreements totaling approximately USD 390 million, which was used in 181 projects and 195 supported Conservation Units.

Funbio presently manages assets amounting to R\$ 323 million (2011: R\$ 206 million), of which R\$ 159 million (2011: R\$ 108 million) are held in long-term, endowment-type funds, and R\$ 150 million (2011: R\$ 85 million) correspond to resources used in projects ongoing a number of partners and beneficiaries. Funbio also has its own resource funds currently worth R\$ 14 million (2011: R\$ 13 million), which is intended to ensure its financial sustainability.

Due to its abilities in project development and asset management, Funbio has been increasingly sought after by the private sector to develop conservation strategies. Its activities are in line with the strategic vision of leading companies and institutions which aim to preserve the environment while maintain their profitability by undertaking conservation processes in diverse production scenarios.

Funbio's governance is led by the Deliberative Council (*Conselho Deliberativo – CD*) which is comprised by representatives from the business, environmental, governmental and academic sectors, for a total of 16 members (4 from each segment). The CD is responsible for establishing an overall policy and setting up the Fund's targets and priorities, to be then translated into actions by the Executive Secretary. The Executive Secretary approves annual operating plans, investment policies and projects undertaken. The Board members participate voluntarily contributing their experiences and knowledge. The Deliberative Council is structured in Commissions which address specific matters, such as Executive, Project Technical, Finance, Audit and Asset Management commissions. Former members and guest leaders comprise the Fund Advisory Board, which provides the institution with technical advice and meets annually. Members of the Advisory Board may be regular members of technical commissions.

During 2012, Funbio expanded the number of its initiatives, as well as the number of contracts under management. As a result, the value of projects performed increased by 64% to reach R\$ 50.8 million. In the same period, the entity's operating expenses grew by 6%, attesting to the strong executional ability of a team that is clearly committed to Funbio's objectives and mission. The Funbio's team accomplishment is to be shared with our donators and partners who have provided us with ongoing support.

Funbio is guided by a number of core values: Transparency, Ethics, Effectiveness, Receptivity, Intellectual Independence and Innovation in all dimensions of its activities.

The issue of these financial statements was authorized by management on March 26, 2013.

2. Summary of significant accounting policies

2.1. Basis of preparation and presentation

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which include the corporate legislation and the Regulations, Guidelines and Interpretations issued by the Accounting Committee of Pronouncements (*Comitê de Pronunciamentos Contábeis - CPC*).

The preparation of financial statements in according with the accounting practices adopted in Brazil requires that the entity's management exercise its judgment to determine and record accounting estimates. Those assets and liabilities that are subject to estimates and assumptions include the net book value of property and equipment and intangible assets. The settlement of transactions involving such estimates may lead to differences between the actual and estimated amounts, due to uncertainties that are inherent in the determination process. The entity reviews estimates and assumptions at least annually.

2.2. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the principal economic environment in which the entity operates (the "functional currency"). The financial statements are shown in thousands of reais, which is the entity's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of deficit/surplus.

2.3. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value; for the purposes of the statement of cash flows, this account also include bank overdrafts.

(a) Financial investments

These are stated at cost plus income earned and exchange variations incurred up to the balance sheet date and adjusted to market value, if lower.

2.4. Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation. The historical cost includes those expenditures that are directly attributable to the acquisition of the items. It also includes finance costs associated with the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and they can be measured reliably. The carrying amount of replaced items or parts is derecognized. All other repair and maintenance expenses are charged to the statement of deficit/surplus as incurred.

Property, plant and equipment and intangible assets are depreciated or amortized over their useful lives for the following periods:

	<u>Years</u>
Leasehold improvements	3 to 25
IT equipment	5
Furniture and fixture	10
Machinery and equipment	10

The assets' net book values and useful lives are reviewed and adjusted, as appropriate, at the end of each period.

The assets' carrying amount is promptly written down to their recoverable value when the carrying amount is higher than the estimated recoverable value (Note 2.6).

Useful lives are based on management estimates of the moment when the assets will generate revenue and are regularly reviewed for appropriateness. Changes in estimates may result in significant variations in the carrying amount and the amounts are taken to the statement of deficit/surplus for the year in accordance with the revised estimates.

2.5. Intangible assets

Computer software licenses acquired are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the software, not exceeding five years.

Costs associated with maintaining computer software are recognized as expenses as incurred.

2.6. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount that the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's selling amount and its value in use.

2.7. Suppliers

Trade accounting payables are obligations to pay for goods or services that have been acquired in the ordinary course of business and project management. These payables are classified as current liabilities if payment is due in one year or less (or other longer period within the ordinary course of business). Otherwise, trade payables are recognized as non-current liabilities.

Trade accounting payables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are typically recognized at the amount of the corresponding invoice.

2.8. Provisions

Provisions are recorded whenever the entity has a present or presumptive obligation as a result of past events and an outflow of funds is likely to settle the obligations, and its amount can be reliably measured.

The Entity is party to pending labor and civil claims and is currently discussing these matters at both the administrative and judicial levels. When applicable, such claims are supported by judicial deposits. Provisions for potential losses on these claims are estimated and updated by management in reliance on the opinion of its external legal advisors.

2.9. Third-party funds linked to projects

Deposits received in Funbio accounts for the execution of projects under contracts are recognized as an obligation of the Entity to its donators and/or partners. As the projects are executed, such liabilities are recognized against the "Rendering of accounts – approved" line in statement of deficit/surplus for the year.

2.10. Realization values and liabilities

Other assets and liabilities are stated at their amounts receivable and payable, respectively, and include monetary or exchange variations, when applicable, as well as income and charges earned or incurred up to the balance sheet date, recognized on a pro rata temporis basis. When required, provisions are recorded for reduction of assets to their market value or probable realization values.

Amounts receivable and payable within 12 months from the balance sheet date are classified in current assets and liabilities, respectively.

2.11. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services, reimbursement of projects and administrative fees in the ordinary course of the entity's business.

(a) Inflows of funds

These are recorded as revenue upon transfer of financial funds invested by the manager during the year to a financial institution in Brazil against a specific account "Funds of resources - FUNBIO" in non-current liabilities.

(b) Rendering of services

Revenue from services rendered is recognized in the statement of deficit/surplus when it can be reliably estimated and is associated with a transaction on the basis of the completion stage of the services at the end of the reporting period.

(c) Reimbursement of project

Revenue from reimbursement of projects is recognized in the statement of deficit/surplus when Funbio is reimbursed for project management and execution. These revenues are provided in the budgets of the projects that are part of contractual agreements.

(d) Administration fees

Revenue from administration fees is computed on the basis a percentage that varies in line with the execution of projects. These fees are provided for in contracts and are recognized at the time of rendering of accounts of projects.

(e) Finance income

Finance income is recognized on the effective interest method.

2.12. Project expense recognition

Project expenses are recognized on the statement of deficit/surplus for the year in the “Reimbursements of partners”, “Funds used” and “Rendering of accounts – in progress” lines as incurred.

2.13. Current income tax and social contribution

The Entity is a non-profit organization and as such is exempt from paying income tax and social contribution, pursuant to article 15 of Law 9532/97, provided that the requirements set out in items "a" to "e", of § 2, article 12 of this law are complied with.

Contribution to the Social Integration Program – PIS and Social Contribution on Revenues – COFINS: Under article 13 of Provisional Measure (MP) 2158-35 of 2001, non-profit entities that have employees, as defined in the labor legislation, shall make contributions to PIS at a fixed rate of 1% on the monthly payroll. Such entities are exempt from PIS on revenues in accordance with § 1, article 14 of MP 2158-35/01, provided that they meet the requirements set out in article 12 of Law 9532/97.

As to COFINS, item X, article 14 of MP 2158-35 of 2001 establishes that non-profit organizations are not subject to this contribution. Also in this case, the exemption is contingent on the compliance with the requirements set out in article 12 of Law 9532/97.

The Entity is in compliance with the requirements set out in Law 9532/97 to be entitled to the exemption.

3. Critical accounting estimates and judgments

Accounting estimates and judgments are continuously assessed and are based on past experience and other factors, including expected future events.

The Entity makes estimates and determines prospective assumptions. By definition, the resulting accounting estimates are hardly equal to the related actual results. Those estimates and assumptions that represent a significant risk of driving a material adjustment to the book values of assets and liabilities in the next year are disclosed below.

(a) Useful life of property, plant and equipment items

The Entity elected not to value its property, plant and equipment items at fair value as deemed cost taking into account that: (i) the cost method less provision for losses is the best method to value fixed assets; (ii) fixed assets are segregated into clear-cut classes which relate to its operational activity; (iii) effective controls are in place over fixed assets, which enable the identification of losses and changes in the estimated useful life of the assets.

4. Financial risk management

(a) Market risks

(i) Foreign exchange risk

This risk relates to the possibility of the Entity incurring losses due to fluctuations in exchange rates which may reduce nominal amounts billed or increase funds obtained in the market.

Projects are carried out and budgeted in *reais* and the control over balances receivable in the rendering of accounts of projects are restated using the prevailing exchange rate. Reconciliations of portions to be received are regularly reconciled to the targets for the project; should significant variations occur, the project plan is reviewed.

(b) Liquidity risk

This is the risk of the Entity not having enough liquid resources to meet its financial commitments as a result of a mismatch between receipt terms or volumes and scheduled payments.

To manage cash liquidity, the Entity establishes assumptions of future disbursements and receipts, which are monitored by Treasury on a daily basis. The control is performed to manage both the Entity and the individual project accounts.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO
Notes to the Financial Statements
at December 31, 2012
In thousands of reais

5. Cash and cash equivalents

	<u>2012</u>	<u>2011</u>
Cash	255	2
Banks – inland	2,139	3,594
Banks – other countries (a)	11,907	2,538
Financial investments - inland (b)	202,195	99,437
Financial investments – other countries (c)	109,209	102,042
	<u>325,705</u>	<u>207,613</u>

(a) Breakdown of bank current account balances at December 31:

	<u>2012</u>	<u>2011</u>
Itaú LUX FAP (i)	7,392	667
Banco do Brasil Frankfurt - AFCOF II	2,129	716
Banco do Brasil NY - GEF CERRADO	1,122	18
Banco do Brasil NY - Capacitação RedLac	462	947
Banco do Brasil NY Funbio	456	140
J. P. MORGAN - NY (iii)	229	-
Banco do Brasil Frankfurt – FFEM	117	50
	<u>11,907</u>	<u>2,538</u>

(b) Financial investments in Brazil comprise the following at December 31:

Fundo Mata Atlântica (FMA) Project	<u>2012</u>	<u>2011</u>
Trust fund		
Itaú Pragma - FMA Trust fund	20,173	-
Itaú Private EFFICAX - FMA trust fund	734	-
	<u>20,907</u>	<u>-</u>

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

at December 31, 2012

In thousands of reais

Fundo Mata Atlântica (FMA) Project – (Cont.)	2012	2011
Automatic investment		
Banco do Brasil - FMA Comperj	19,003	15,268
Banco do Brasil - FMA Construção Naval do Açú	15,397	5,284
Banco do Brasil - FMA Comperj Impl. Infr. e Urbanização	11,426	-
Banco do Brasil - FMA GASDUC III	7,722	8,068
Banco do Brasil - FMA Obras Tecab	6,516	526
Banco do Brasil - FMA Baixada Fluminense	3,808	-
Banco do Brasil - FMA CSA II	2,030	1,911
Banco do Brasil - FMA Grota Funda	1,541	2,223
Banco do Brasil - FMA Metrô	1,488	859
Banco do Brasil - FMA Aeroporto Santos Dumont	1,237	-
Banco do Brasil - FMA GASJAP	1,058	1,015
Banco do Brasil - FMA Lighter	693	647
Banco do Brasil - FMA Metrô CRB II	663	-
Banco do Brasil - FMA Terminal Mar. Da Ilha Guaíba	545	-
Banco do Brasil - FMA Comperj UHOS	431	-
Banco do Brasil - FMA Quitumba	377	-
Banco do Brasil - FMA TA AR Transpetro	309	-
Banco do Brasil - FMA Volta Redonda	251	243
Banco do Brasil - FMA Ponta da Areia	198	-
Banco do Brasil - FMA Libra Terminal	195	-
Banco do Brasil - FMA UTE Porto do Açú	193	-
Banco do Brasil - FMA CTR Itaboraí	133	126
Banco do Brasil - FMA LT EN Elétrica	-	195
Banco do Brasil - FMA Outros	779	-
	<u>75,993</u>	<u>36,365</u>
Investments in Bank Deposit Certificates (CDBs)		
Banco do Brasil CDB - FMA LLX AÇÚ	12,402	8,689
Banco do Brasil CDB - FMA CSA II	3,690	9,817
Banco do Brasil CDB - FMA Via Principal	1,234	868
Banco do Brasil CDB - FMA Metrô	432	401
Banco do Brasil CDB - FMA CTR Alcântara	45	-
	<u>17,803</u>	<u>19,775</u>
Investment in fixed-income securities		
Banco do Brasil RF LP - FMA Comperj	2,380	-
Banco do Brasil RF LP - FMA Construção Naval do Açú	1,047	-
Banco do Brasil RF LP - FMA Baixada Fluminense	739	-
Banco do Brasil RF LP - FMA LLX AÇÚ	697	-
Banco do Brasil RF - FMA SERB	544	511
Banco do Brasil RF LP - FMA Metrô CRB II	438	-
Banco do Brasil RF LP - FMA Comperj UHOS	284	-
Banco do Brasil RF LP – FMA Outros	155	-
	<u>6,284</u>	<u>511</u>
Sub total	<u>120,987</u>	<u>56,651</u>

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

at December 31, 2012

In thousands of reais

Other projects

	<u>2012</u>	<u>2011</u>
Automatic investment		
Banco do Brasil - GEF BM Arpa II	4,733	-
Banco do Brasil - PROBIO Fundo de Oportunidade	2,501	-
Banco do Brasil - Terra do Meio	1,923	-
Banco do Brasil - Adoção de Parques (OGX FN)	1,910	1,959
Banco do Brasil - Carteira Fauna (Ararinha Azul)	1,841	-
Itaú Private - Fundo Kayapó	1,639	-
Banco do Brasil - Adoção de Parques (MPX LM)	1,359	1,567
Banco do Brasil - GIZ Anavilhanas	1,301	-
Banco do Brasil RF LP – TFCA	915	-
Banco do Brasil - KfW ARPA 2ª Fase	731	-
Itaú Private – FRF	705	-
Banco do Brasil CP – BNDES	641	-
Banco do Brasil - Novas Fontes Arpa	523	-
Banco do Brasil - RVS Rio da Prata	318	-
Itaú Private – FAP	298	-
Banco do Brasil - GEF Nutrição	285	-
Banco do Brasil - Carteira Fauna (Sirênios)	242	1,066
Banco do Brasil - GEF Cerrado	170	942
Banco do Brasil – FIP	105	-
Banco do Brasil – FUNJUS	95	50
Banco do Brasil – Suruí	73	185
Banco do Brasil - Ecofunds/BCID	37	166
Banco do Brasil - Carteira Fauna (Sísmica)	28	364
Banco do Brasil – CFA	23	110
Banco do Brasil - KfW ARPA 1ª Fase	-	78
Banco do Brasil - AFCOF II	-	26
Other	530	667
	<u>22,926</u>	<u>7,180</u>

Investments in Bank Deposit Certificates (CDBs)

Banco do Brasil CDB – TFCA	17,332	14,525
Banco do Brasil CDB – FUNJUS	3,398	1,786
Banco do Brasil CDB – AFCOF II	585	344
Banco do Brasil CDB – Administrativa	566	386
Banco do Brasil CDB – GEF Polinizadores	-	541
	<u>21,881</u>	<u>17,582</u>

Investments in fixed-income securities

Banco do Brasil RF LP – BNDES	3,228	-
Banco do Brasil RF LP – CFA	111	-
Banco do Brasil RF LP – Novas Fontes Arpa	106	-
Banco do Brasil RF LP – PROBIO II	85	-
	<u>3,530</u>	<u>-</u>

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO
Notes to the Financial Statements
at December 31, 2012
In thousands of reais

Other projects (Cont.)

	<u>2012</u>	<u>2011</u>
Asset manager Pragma		
Itaú Pragma – Fundo Kayapó	13,721	-
Itaú Pragma – Fundo de Recursos do Funbio - FRF	13,459	12,680
Itaú Pragma – FAP	<u>5,691</u>	<u>5,344</u>
	<u>32,871</u>	<u>18,024</u>
Sub-total	<u>81,208</u>	<u>42,786</u>
	<u>202,195</u>	<u>99,437</u>

(c) Breakdown of financial investments abroad at December 31:

	<u>2012</u>	<u>2011</u>
Itaú LUX FAP (i)	51,969	53,381
Banco do Brasil Frankfurt - KfW FAP (ii)	54,531	48,662
J. P. MORGAN - NY FAP	<u>2,709</u>	<u>-</u>
	<u>109,209</u>	<u>102,043</u>

- (i) Financial investments abroad in 2012 comprised investments in securities, international equities and FAP funds, which earned 5.8% in the year versus the benchmark of 5.6%. FAP resources, as determined by the related donators, have not been brought to Brazil; they remain at Itaú Luxemburgo under the administration of Pragma Gestão de Patrimônio Ltda.
- (ii) Deposit made in late December and invested in Corp Fixed Deposit - Euro, at Banco do Brasil's Frankfurt branch, until such time as the international bidding that was recommended by the donator (KfW) for the appointment of an asset manager is completed.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

at December 31, 2012

In thousands of reais

6. Property, plant and equipment

(a) Breakdown

	Furniture and fixture	IT equipment	Machinery and equipment	Leasehold improvements	Improvements in rented properties	Total
At December 31, 2011	75	100	157	76	428	836
Total cost	294	198	545	111	428	1,576
Accumulated depreciation	(219)	(98)	(388)	(35)	-	(740)
Net book value at December 31, 2011	<u>75</u>	<u>100</u>	<u>157</u>	<u>76</u>	<u>428</u>	<u>836</u>
Acquisitions	5	9	104	6	-	124
Disposals	(4)	(16)	(3)	-	-	(23)
Depreciation (i)	(19)	(17)	(70)	(149)	-	(255)
Transfers	-	-	-	428	(428)	-
At December 31, 2012	<u>57</u>	<u>76</u>	<u>188</u>	<u>361</u>	<u>-</u>	<u>682</u>
Total cost	274	180	502	545	-	1,501
Accumulated depreciation	(217)	(104)	(314)	(184)	-	(819)
Net book value at December 31, 2012	<u>57</u>	<u>76</u>	<u>188</u>	<u>361</u>	<u>-</u>	<u>682</u>
<i>Annual depreciation rates - %</i>	10	20	10	4 to 33.33	-	

(i) Net of the effects of the reversal of depreciations on disposals.

(b) Additional information

The depreciation of property, plant and equipment is calculated on the straight-line basis at rates which consider the assets' estimated economic useful lives.

Depreciation for the period was expensed in the amount of R\$ 255 (2011: R\$ 137).

The gross book value of fully depreciated property, plant and equipment items which are still in use is R\$ 651 (2011: R\$ 640).

(c) Impairment of assets

During the year ended December 31, 2012, management identified no indicators that specific assets could be recognized at amounts in excess of their recoverable values, besides the amounts recorded in the provision for losses.

7. Suppliers

	<u>2012</u>	<u>2011</u>
Equiparge Produções Ltda.	591	-
Rariplan Construtora Ltda.	362	-
RPC Importação e Comerc. de Máq. e Equipamentos Ltda.	264	-
Fast Eletronic Comercio de Eletro- eletrônico e Acess. Ltda.-EPP	188	-
Emebevê Indústria e Comércio de Móveis de Aço Ltda.	34	-
MMC Automotores do Brasil S/A	-	484
Ultraserv Serviços e Soluções Ltda.	-	95
Real Birigui Comércio de Máquinas e Ferramentas Ltda.	-	87
Ecomek Consultoria Empresarial e Meio Ambiente	-	70
Other	<u>205</u>	<u>220</u>
	<u>1,644</u>	<u>956</u>

At December 31, 2012, balances of suppliers reported substantially hiring services for productions training course for park rangers for the project FMA - Construções Naval Açú project, to be carried out by company Equiparge Produções. The engagement of civil construction services provided by company Rariplan Construtora Ltda. to build the head offices of EEE de Guaxindiba for the FMA – Porto Açú project, and purchase of an airplane fueling tank from company RPC for the FMA-Comperj project.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

8. Salaries and labor charges

	<u>2012</u>	<u>2011</u>
Provision for vacation pay and charges	689	608
Salaries payable	263	8
IRRF (Withholding income tax) payable	144	128
INSS (National Social Security Institute) payable	99	118
FGTS (Severance Indemnity Payment) payable	42	36
PIS (Social Integration Program) payable	9	8
Other	7	25
	<u>1,253</u>	<u>931</u>

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

9. Third-party funds linked to projects

Changes in project balances

	12/31/2011	Rendering of accounts in progress	Rendering of accounts sent	Funds used	Funds received	Return on investments	Exchange variation	Other (*)	12/31/2012	Note
ARPA FAP	108,054	-	-	-	-	4,592	10,349	(176)	122,819	9.1
ARPA 2ª Fase – BNDES	366	-	(4,796)	(4,796)	10,000	129	-	(1,385)	4,314	9.1
ARPA 2ª Fase - GEF BM	-	-	(362)	(362)	5,300	126	-	(136)	4,928	9.1
ARPA 2ª Fase – KfW	-	-	(161)	(161)	1,798	18	59	(983)	731	9.1
ARPA 1ª Fase – KfW	80	-	(80)	(80)	-	-	-	-	-	9.1
FMA - Convênio SEA	58,768	(1,556)	(22,952)	(24,508)	62,083	5,138	-	(1,820)	99,661	9.2
FMA - Fundo Fiduciário	-	-	-	-	19,192	1,884	-	(169)	20,907	9.2
TFCA	14,527	(2)	(8,906)	(8,908)	12,727	1,030	-	(950)	18,426	9.3
Fundo Kayapó	-	(1)	-	(1)	14,392	1,126	-	(157)	15,360	9.4
Adoção dos Parques	3,529	(12)	(476)	(488)	300	256	-	(1)	3,596	9.5
Alcoa – Fundo Juruti Sustentável	1,837	-	-	-	1,440	217	-	-	3,494	9.6
Probio - Fundo de Oportunidade	-	-	-	-	2,500	1	-	-	2,501	9.7
Probio II	(6)	(5)	(283)	(288)	810	3	-	(430)	89	9.7
AFCOF II	972	(9)	(5,541)	(5,550)	7,954	28	(95)	(607)	2,702	9.8
AFCOF I	50	-	-	-	-	3	-	(2)	51	9.8
GEF Cerrado	955	(1)	(467)	(468)	1,123	36	(18)	(342)	1,286	9.9
GEF Polinizadores	570	-	(1,182)	(1,182)	754	19	-	(297)	(136)	9.10
Terra do Meio	-	-	(142)	(142)	2,432	66	-	(432)	1,924	9.11
Carteira Fauna - Ararinha Azul	-	-	(655)	(655)	2,549	38	-	(92)	1,840	9.12
Carteira Fauna – Sirênios	1,253	-	(1,371)	(1,371)	585	29	-	(123)	373	9.12
Carteira Fauna (Sísmica e Funda Fauna)	460	-	(283)	(283)	168	23	-	(104)	264	9.12
GIZ Anavilhanas	-	-	-	-	1,298	4	-	-	1,302	9.13
Sub-total	191,415	(1,586)	(47,657)	(49,243)	147,405	14,766	10,295	(8,206)	306,432	

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

Changes in Project balances (Cont.)

	12/31/2011	Rendering of accounts in progress	Rendering of accounts sent	Funds used	Funds received	Return on investments	Exchange variation	Other (*)	12/31/2012	Note
Subtotal	191,415	(1,586)	(47,657)	(49,243)	147,405	14,766	10,295	(8,206)	306,432	
Novas Fontes Arpa	-	-	(91)	(91)	849	22	-	(149)	631	9.14
RedLac Capacitação	1,097	-	(1,065)	(1,065)	778	1	48	(270)	589	9.15
CLUA - Estudo de Finanças REDD	-	-	(152)	(152)	505	-	-	(44)	309	9.16
GEF Nutrição	-	-	-	-	283	3	-	(1)	285	9.17
Diálogos Sustentáveis	22	-	(95)	(95)	355	5	-	(80)	207	9.18
CFA	139	-	(38)	(38)	111	5	5	(78)	144	9.19
CAP & TRADE	-	(1)	(40)	(41)	191	2	-	(24)	128	9.20
FIP	-	-	(132)	(132)	270	4	-	(37)	105	9.21
RRB - Redd + Readness in Brasil	-	-	(26)	(26)	327	2	-	(253)	50	9.22
Ecofunds/BCID	171	-	(126)	(126)	-	8	-	(11)	42	9.23
Carbono Suruí	125	-	(31)	(31)	-	8	-	(88)	14	9.24
Estudo de viabilidade de REDD+	54	-	(35)	(35)	60	1	-	(80)	-	9.25
Other	117	-	-	-	-	-	-	(77)	40	
Sub-total	1,725	(1)	(1,831)	(1,832)	3,729	61	53	(1,192)	2,544	
	193,140	(1,587)	(49,488)	(51,075)	151,134	14,827	10,348	(9,398)	309,976	
Current	85,086								149,890	
Non-current	108,054								159,086	

(*) Basically relates to reimbursement of FUNBIO, disbursements for projects and finance expenses.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

9.1. Arpa - Áreas Protegidas da Amazônia - Fase II (Amazon Protected Areas – Phase II)

The Arpa program is the world's largest initiative to protect tropical forests. It is aimed at the conservation and sustainable use of 60 million hectares - 12% of the Amazon region – by 2018. Funbio is the manager of financial resources, carries out purchasing and contracting activities for the Conservation Units (*Unidades de Conservação* - UCs) and manages assets under the Fundo de Áreas Protegidas (FAP). During its second phase (2010 to 2015), Arpa intends to support the creation of a further 13.5 million hectares and consolidate approximately 32 million hectares, in addition to contributing USD 70 million to FAP. As a result of the actions being taken, the Arpa Program received an award from the United States Government/ Treasury Department, through the World Bank, as a particularly notable, high impact project.

In 2012, FAP-Fundo de Áreas Protegidas reached R\$ 122 million, representing a 13.66% increase on the 2011 balance, due to income earned and restatement of its assets for exchange variations. FAP is currently at a capitalization stage and recorded no expenditures or deposits during 2012.

By 2012, the first two tranches of the agreement entered into in 2010 with Fundo Amazônia/BNDES were withdrawn, each one for R\$ 5 million. The third tranche was also received in 2012 and is partly included in the project balance at the year end. The fourth and last tranche is expected to be received during 2013. The amount of the contract with BNDES/Fundo Amazônia is R\$ 20 million.

Also in 2012, the execution of new agreements with the German Ministry for Economic Cooperation and Development (BMZ) was started, through KfW Entwicklungsbank (the German development bank) and with the World Bank, for EUR 20 million and USD 15.9 million, respectively, intended for the execution of the Program Phase II.

Additionally, in 2012 the full use of funds from the 1st phase of the program was completed with the execution of R\$ 80 from KfW.

9.2. FMA - Fundo Mata Atlântica do Rio de Janeiro – Convênio SEA (Rio de Janeiro Atlantic Forest Fund – SEA Agreement)

The Operational and Finance Arrangement for the Conservation of Biodiversity in the State of Rio de Janeiro, also known as the Fundo da Mata Atlântica (FMA/RJ), was designed to multiply environmental investments in the State of Rio de Janeiro and offer new support options for the protected areas, in a swift, efficient and transparent manner. Through a partnership entered into with the Rio de Janeiro State Environment Secretary (SEA-RJ), Funbio manages FMA's resources, which to this date arise from compensation for environmental impacts of production ventures, the payment of which is regulated by the Brazilian System for Nature Conservation Units (*Sistema Nacional de Unidades de Conservação da Natureza* – SNUC).

By the end of 2012, FMA had obtained significant funds from environmental compensations. Over 50 ventures in that State committed to allocate funds to FMA to meet their compensation requirements, for a total of more than R\$ 229 million.

A total of 23 Conversation Units (*Unidades de Conservação* - UCs) – being 17 state, 1 federal and 5 local units – have received FMA support, in particular for the purchase of equipment, construction and remodeling of infrastructure, development of executive projects for infrastructure, purchase of vehicles, forest management plans under contract, signaling and demarcation.

FMA's support also takes the form of projects, such as the support to units of the State Environmental Institute (*Instituto Estadual do Ambiente* - INEA), funding of land title regularization, demarcation of local UCs, and strengthening of management of public use to increase the number of visitors to parks.

In 2012, the Fundo Fiduciário – FMA (trust fund) was financially established. This vehicle, which is contemplated pursuant the SEA Agreement, is designed to provide long-term financial sustainability to those conservation units that are managed by the State of Rio de Janeiro, by covering their maintenance costs, such as the acquisition of goods and services required to implement, manage, monitor and protect the unit. Total amount received for this portfolio totalized to R\$ 19.2 million during 2012, for a total of R\$ 20.9 million at the year-end.

9.3. TFCA - Tropical Forest Conservation Act

Funbio serves as the Executive Secretary for the RFCA account, which receives values under the bilateral agreement between Brazil and the United States for areas where remnants of Mata Atlântica, Cerrado or Caatinga (Atlantic forest, savannahs or dry forest) biomes are found. The agreement is ruled by the Tropical Forest Conservation Act (TFCA), designed to promote the exchange of debts owed by other countries to the United States for investments in the conservation and sustainable use of forests. Total exchanges of debts amounted to USD 20.8 million.

In early 2012, the 46 projects approved under the first tender notice (Jan/2011) were launched. Approximately 80 representatives attended a skill building workshop to share information and receive training in TFCA's rules and operational tools. The workshop was held in Brasília in April 2012.

During the year, three further calls for projects were launched, two of them in April and one in August. The 02/2012 call supports the strengthening of ONG Networks in Mata Atlântica and the Caatinga, so as to enhance the civil society, synergies and sharing of information among environmental entities relating to these biomes. The 03/2012 call selected skill building projects to raise public or private funds to be allocated to the Mata Atlântica, Cerrado and Caatinga biomes, thus triggering new actions to preserve and restore the biomes. The 4/2012 call, targeted at biodiversity conservation projects, will make R\$ 7 million available for projects with a maximum term of 24 months.

9.4. Fundo Kayapó (Kayapó Fund)

This is an endowment-type equity fund created to support Indian tribe Kayapó organizations in the long term and increase the ability of maintaining the physical integrity of the Kayapó land. This is the first fund of its kind to be supported by the Brazilian Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social* – BNDES) via Fundo Amazônia in partnership with Conservation International (*Conservação Internacional* - CI).

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

The project was launched in 2012, following the agreement with Fundo Amazônia/BNDES and capitalization of the fund. Funbio was appointed as the fund asset manager. In June 2012, during the Rio+20 Conference, Fundo Kayapó was formally launched in Rio de Janeiro, with the participation of representatives of the Kayapó people, BNDES and CI.

In 2012, a consulting firm was engaged to conduct technical diagnostic studies on the life quality of the Kayapó people and the physical integrity of their land, to support the assessment of the fund results. The studies will provide the project with a baseline to compare the same topics within five years.

Funbio is the manager of this contribution, which aims at monitoring the land and helps the Kayapó people to deal with the increasing pressure of new migrants during the building of the Belo Monte hydroelectric plant. The projects will begin to receive values as from 2013, will benefit approximately seven thousand people who are currently under the threat of the expansion of the agriculture boundaries and illegal activities, such as logging and mining.

9.5. Adoption of parks

This kind of support seeks voluntary private investments to structure and promote the maintenance of nation-wide, state or local biodiversity Conservation Units. In consideration for the contribution of funds, participating companies are recognized for their sponsorship and rewarded with higher visibility in the media.

In 2012, funds contributed by OGX and MPX began to be used in the national parks of Fernando de Noronha (State of Pernambuco) and Lençóis Maranhenses (State of Maranhão), respectively. Funbio manages those funds allocated to the parks, which were used in infrastructure works, purchase of goods and contracting services to support physical, logistical and financial management. The companies have adopted the parks through 2018.

With respect to the two federal UCs, a technical cooperation agreement was entered into with ICMBio to support the protected areas. The agreement includes clauses providing for a number of funding sources, including but not limited to penalties, environmental administrative fines, donations and sponsorships.

UC	Area (Thousand ha)	Value	Lender
Parque Nacional Marinho de Fernando de Noronha	11.2	R\$ 4.7 million	OGX
Parque Nacional dos Lençóis Maranhenses	155	R\$ 4.2 million	MPX

Also in 2012, the Park Adoption Program received an amount of R\$300 contribution from BP Brasil to support the Conservation Units' administration and environmental management.

9.6. Programa Juruti Sustentável - Funjus and Conjus (Sustainable Juriti Program)

The Fundo Juruti Sustentável (Funjus) is an innovative attempt to provide financial support to implement social/environmental projects in the municipality of Juriti, State of Pará. It was developed by Funbio and is part of the Juriti Sustentável development strategy, which also covers the advisory forum known as Sustainable Juriti Board (*Conselho Juruti Sustentável - Conjus*) and the Development Indicators, using a baseline that was embedded by Fundação Getulio Vargas (GV-CES) into a construction methodology in conjunction with the community.

Funjus entered a new stage in 2012, four years into its organization. Funjus and Conjus were then merged into a new entity with separate legal personality, as a non-profit civil association. The merger was designed to provide the entity with more freedom to raise funds, is also characterized by a gradual transfer of operational responsibilities from Funbio to a local Funjus/Conjus team.

Projects completed under the first Funjus call notice in 2009, have been evaluated and included in a final report on the assessment of projects. This enabled the restatement of claims included in the Sustainable Juriti Letter – Conjus. In 2012, a second call notice was launched, when local players were encouraged to seek additional funds from both public and private sources. Funjus resources under this call are allocated to technical assistance and cost-sharing funds.

As part of a fund raising strategy, Funbio, in partnership with Alcoa, developed several communication materials, highlighting a documentary video filmed in Juruti, in November 2012, and tells the fund history and its ambitions for the future through the eyes of local players.

The approval of Probio II resources will provide Funjus with cost-sharing funds of approximately R\$ 1.5 million from GEF, through the World Bank, to finance projects involving the development of sustainable production chains.

9.7. Probio II – Nationwide Project of Public/Private Integrated Actions to Promote Biodiversity

The purpose of this initiative is to mobilize key production segments to adopt conservation and biodiversity sustainable use policies and practices in their business activities. Funbio promotes actions to involve the private sector, in order to drive the transformation of models of production, consumption and Brazilian land use, having as starting point the agricultural, fishing, forestry and health industries. The project has GEF funding through the World Bank, which spent a total of USD 22 million to the partners in this initiative.

In 2012, approval was given to three territorial subprojects divided into biomes: Pampa, covering cattle in the State of Rio Grande do Sul; Mata Atlântica, covering agro energy in the State of Mato Grosso do Sul and forestry in the State of Bahia. The related legal instruments were discussed and detailed and the World Bank approved the Fundo de Oportunidades' Operational Manual.

Also, an inter-ministerial discussion was held around the Action Plan for Conservation of Biodiversity 2013-2010, arising from a partnership involving Funbio, the Environment Ministry and the Planning Ministry. Cost-sharing funds of approximately R\$ 8.5 million were secured and R\$ 2.5 million in GEF funds were allocated to Fundo de Oportunidades, as shown in a separate line in the table below.

Partners in Probio II include: World Bank; GEF; CEF; Embrapa; FIOCRUZ; ICMBio; Jardim Botânico – Rio de Janeiro; Ministry of Agriculture, Livestock and Food Supply; Ministry of Science and Technology; and Ministry of Health.

9.8. AFCoF II - Atlantic Forest Conservation Fund

Atlantic Forest Conservation Fund II is a finance vehicle managed by Funbio to support the Projeto Proteção da Mata Atlântica II (Atlantic Forest Protection Project II), which was designed to enhance the protection, sustainable management and recovery of the Atlantic Forest. The resources of this fund are provided by KfW Entwicklungsbank (the German development bank). The project is part of the International Climate Protection Initiative (IKI) of the German Ministry of Environment, Nature Protection and Nuclear Safety (BMU), which also provides for technical support from the German Technical Cooperation Agency (GTZ).

Studies on the setting up of new UCs at the public (federal, state and local) and private sectors (RPPNs) began to be conducted in 2012 and are yet to be completed. A project involving community learning in Payments for Environmental Services (PSA) was also launched under tender notice 005/2010. The project is based on a virtual platform which seeks to facilitate the sharing of information and experiences among professional and institutions engaged or interested in the theme, in order to build a collective body of knowledge and systematize all PSA initiatives for the Atlantic Forest (water, carbon, biodiversity).

With respect to project delivery, 13 consulting contracts are ongoing and five contracts were completed in 2012 and seven contracts in 2011. Contracts entered into up to 2012 add up to 25, comprising studies on the mapping of remaining vegetation, setting up of Conservation Units, socio-economic requirements to regularize land titles in the surroundings of UCs, and feasibility analyses for the use of Payments for Environmental Services and generation of alternative income for Atlantic Forest biome farmers.

The Instituto dos Amigos da Reserva da Biosfera da Mata Atlântica (IARBMA) (Friends of the Atlantic Forest Biosphere Reserve) was successfully completed in 2012 with the fulfillment of its goals and creation of a State park, Parque Estadual Nascentes do Paranapanema (PENAP), in June 2012. The park covers approximately 75% of the area studied in the project, with a buffer area corresponding to a continuous strip of three kilometers. The extent of this unit and its biological significance - as it houses endemic and endangered fauna and flora - are highlights of the project, that was funded under notice 03/2000, whose topic was the formation or expansion of UCs.

9.9. Iniciativa Cerrado Sustentável (Sustainable Savannah Initiative)

The initiative is a project financed by GEF through the World Bank and its purpose is to enhance the value of the savannah area by means of conservation, restoring, recovery and sustainable management actions. A total of USD 13 million will be allocated to the preservation of the biome, under four sub-projects. Funbio is the finance manager of a sub-project that was implemented by the Ministry of Environment, involving policies and monitoring of the dry forest area. This sub-project will receive investments of USD 4 million over its four-year term.

In 2012, the project subsidized the creation of Conservation Units in several priority areas for biodiversity conservation including: the State of Mato Grosso (Sources of Juruena river, Papagaio river, Teles Pires river, and APA Provincia Serrana/Paraguay river sources; State of Tocantins (municipalities of Natividade, Aurora do Tocantins, and Tocantins Wildlife Refuge), and State of Piauí (municipalities of Uruçuí and Jerumenha), for a total area of 1,657,112 hectares. The project was responsible for the expansion of a national park, Parque Nacional da Serra das Confusões, with 270,000 hectares in the dry forest area (Decree of December 30, 2010). At year-end, a public consultation was carried out on the creation of the Vale do Guará Extractive Reserve, in the Northern region of the Minas Gerais State, comprising a total of 30,000 hectares.

With respect to the promotion of sustainable production practices, two centers for the dissemination of agricultural biodiversity management practices (*Centro de Irradiação do Manejo da Agrobiodiversidade - CIMA*) were created in 2012, in order to foster community systems for conservation, management and sustainable use of biodiversity, community seed banks, and networks of native seeds. Additionally, two Reference Centers for the Recovery of Degraded Areas (*Centros de Referência em Recuperação de Áreas Degradadas - CRADs*) at Janaúba, Minas Gerais, and Barreiras, Bahia have been created.

With respect to public policies, the project developed and published an Action Plan to Prevent and Fight Deforestation and Forest Fires in the Dry Forest Area and held a meeting to prioritize areas for conservation, sustainable use and sharing of the Cerrado biome biodiversity benefits. A map prepared in connection with this study will serve as the basis for the ecologic and economic macro-zoning of the Cerrado biome.

9.10. GEF Pollinator Program

The project for the conservation and management of pollinators for a sustainable agriculture under an ecosystem approach is an initiative of the Food and Agriculture Organization (FAO) of the United Nations, funded by the Global Environment Fund - GEF.

The purpose of the project is to build an integrated body of knowledge of pollination services; to foster the effective conservation and sustainable use of pollinators in agriculture; to increase rural producers' and small farmers' ability to preserve and use pollination services in a sustainable manner; and promote public policies and population awareness actions. In Brazil, the technical coordination of the project is under the responsibility of the Ministry of Environment (MMA).

Funbio is in charge of the financial execution and technical monitoring of this USD 3.5 million project with an anticipated duration of five years. In 2012, the project activities included the development of a database and a portal to disclose its results. New pollinator species were identified and events were held to disseminate the initiative to increase the perceived value of pollination services for agriculture. Additionally, the Project National Committee held its third meeting. Partnerships were built with universities to promote research in this topic and advance the establishment of taxonomy for pollinators.

9.11. Terra do Meio Project

Terra do Meio project's mission is to help reduce deforestation and preserve the Amazon region biodiversity, starting with the support to the consolidation of 11 conservation units in the so-called middle land area. This area is located in the central portion of southern State of Pará and is under three significant anthropic pressures: the Altamira-Iraíuba road (a section of the Transamazônica road) to the North, the Cuiabá-Santarém road (BR-163) to the West, and the largest agricultural frontier in the Amazon biome, to the southeast. This mosaic is part of a vast territory of adjacent, protected areas covering 28 million hectares, making this region Brazil's second largest biodiversity corridor.

The project execution began in July 2012, with the definition of the institutional form, development of its conservation and investment strategies, and skill building of UC managers pursuant the project charter.

Planning workshops were conducted in the cities of Belém and Altamira (State of Pará). Attendees included over 30 representatives of the Federal Government (MMA and ICMBio), Pará State Government (Sema-PA), Funbio, Brazilian Forestry Service, and University of Brasília. At the workshops, the legal framework and the status of the integrated management of Conservation Units in Brazil were presented; the conditions for the implementation of the 11 supported UCs and related consolidation targets were assessed; and the Project implementation methodology was discussed.

The operational planning was designed and it is expected that in 2013 the units receive the appropriate equipment and signaling. It is also expected that during 2013, management plans begin to be developed.

The Terra do Meio Project is a European Union initiative under a EUR 6.84 million contract.

9.12. Carteira Fauna Brasil (Brazilian Fauna Portfolio)

The Brazilian Fauna and Fish Resources Preservation Portfolio – or Brazilian Fauna Portfolio is a financial arrangement which receives funds from penalties, environmental administrative fines, donations, sponsorships and other sources. It is the result of a partnership with IBAMA, ICMBio and the Federal Public Prosecutors' Office and its purpose is to finance programs and projects aiming at the preservation of the Brazilian fauna.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

The blue macaw preservation project - named “Macaw in its natural habitat” – started in 2012 in partnership with ICMBio and SAVE Brasil, and resources of Vale. From a donation of R\$ 5.9 million, partners will contribute with actions under the National Action Plan for the Recovery of Blue Macaws, including: implementation of public policies designed to protect macaws, support of the appropriate handling of populations of animals in captivity aiming at their future return to wildlife, increase in scientific knowledge, habitat protection, and awareness and environmental education campaigns.

The Sirenia Monitoring Project in the Potiguar Basin resulted from an agreement signed between Petrobras and CMA/ICMBio to comply with conditions for obtaining environmental licenses. During 2012, the project activities scheduled for its first year were carried out and included: implementing an advanced in Icapuí, State of Ceará; running an awareness-raising campaign targeted at local communities; undertaking an aerial census of the coastal areas from Beberibe, Ceará, to Touros, State of Rio Grande do Norte, as well as a satellite monitoring of native animals.

In connection with manatee monitoring by satellite, in May 2012, the project took an expedition to catch five of these mammals. A large team was mobilized to build an appropriate logistics structure, in addition to installing satellite-based tracking devices, collecting biological material and taking morphometric measures to assess the population’s health.

Activities scheduled for 2013, include the follow-up on projects currently ongoing with funds remaining from the Seismic Project, further analysis of preliminary projects under the Fauna Project showcase, actions to raise private-sector money, communications with the Federal and State Prosecutors’ offices, and support to other projects included in the Fauna Project Database, using program funds classified as free funds.

9.13. GIZ Anavilhanas

The purpose of this project, funded by the Germany Embassy in Brazil through the German international cooperation agency GIZ, is to purchase goods and equipment to support visits to Conservation Units/ Parks in preparation for the 2014 World Cup. The main beneficiaries are ICMBio and partners in the “Baixo Rio Negro” initiative in the Amazon State. Under the contract, an initial EUR 436 thousand advance will be made to cover project activities over a 6-month period.

9.14. Compromisso com a Amazônia – Arpa para a Vida (Commitment with the Amazon region)

This project will seek new funding sources for the Amazon Conservation Units. It will also promote the design and development of the State compensation fund in the States of Amazonas and Rondônia, aiming at funding ARPA units and other State and Federal UCs.

The key initiative goals are to: a) develop financial arrangements for environmental compensation (and other sources) for the States of Rondônia and Amazonas; b) estimate federal compensation revenues over the next 30 years; c) refine Arpa's long-term costs (together with WWF); and d) develop a funding strategy targeted at the Brazilian population (private sector and individual citizens), and forecast the initiative potential.

9.15. RedLAC skill-building Project for Environment Funds

The Project is intended to strengthen the funds' operations and use of innovative finance arrangements in order to reduce their reliance on donations and diversify sources of values. The project is funded by the French Global Environment Fund (FFEM) and the Gordon and Betty Moore Foundation, for a total investment of USD 1.9 million by the donators and approximately USD 1 million from other participating funds.

In 2012, two skill-building workshops were carried out in Entebbe, Uganda, and Lima, Peru, about communication and Marketing and Impact Monitoring, respectively. These were workshops number six and seven promoted under the program, with the involvement of 32 environment funds. All program materials are available online in English, Spanish and French on network website.

Under the sponsorship of RedLAC – Network of Environment Funds in Latin America and the Caribbean, five environment fund pilot projects received support or are being developed, in order to promote the creation of innovative finance arrangements for conservation activities. At XIV RedLAC conference in Lima, Peru, the five pilot project managers held a meeting with the Project Steering Committee to discuss progress made, challenges encountered and next steps.

Also the program developed a methodology to monitor the impact of environment funds, supported by a RedLAC task force, and three technical meetings were held during 2012. The methodology will be tested in 2013, by network members in eight protected areas in seven countries.

Also, to strengthen the network, the project promoted the development of RedLAC's strategic planning and business plan, which were approved at the most recent conference.

9.16. Analysis of incentives and funding for deforestation control in Brazil - Climate and Land Use Alliance - CLUA

The project was designed to review the political and financial dimensions in a number of Brazilian States with respect to deforestation combat. Although the focus lies on the Amazon, Southeast and Midwestern states were also reviewed for their existing and yet to be implemented policies. The objective is to identify supplementary, replicable practices and policies outside their original contexts to create incentives for deforestation control.

A preliminary report completed in 2012, maps State policies and related local and regional impacts. This analysis was the basis of a search for large-scale financial options to encourage investments in the Amazon region.

In this connection, several environment and finance experts were interviewed, and two roundtable discussions were held with experts were held in São Paulo and Rio de Janeiro to review the preliminary report. The final document includes the analysis and proposed creation of new economic arrangements which may encourage deforestation control. In 2013, consultations with experts will be focused on the implementation of such proposed vehicles and their political and financial feasibility.

9.17. Conservation and sustainable use of biodiversity to improve human nutrition and well-being (GEF Nutrition)

This project aims at promoting native species with high nutritional value, which for cultural reasons are rarely or never included in daily meals in Brazil. In addition to fostering the scientific understanding of such species, the Project will focus on the dissemination of information and public policies for the purchase of food, minimum prices and products from social/biodiversity.

The engagement of a consultant in charge of scientific studies and the launching of research have been scheduled for the first half of 2013.

This is a GEF-sponsored program through UNEP, FAO and Biodiversity International.

9.18. Sustainability Dialogues

This program was designed to enhance the private sector involvement in biodiversity conversation, by holding theme meetings with business, environment, academy and government leaders to share ideas on the theoretical and practical aspects of sustainability.

The goal of the 2012 Sustainability Dialogues cycle, which was sponsored by Instituto Arapyaú, with the support of Climate Works and Vitae Civilis, as well as a partnership with Avina, was to promote a discussion about the called Green Economy from a macroeconomics point of view. This was one of the key themes in the Rio+20 Conference held in Rio de Janeiro in June 2012.

In 2013, it is expected that the Sustainability Dialogues program will continue with new partnerships built to develop new themes which are relevant to the activities of Funbio, as well as the involvement of the private sector in sustainability actions.

9.19. CFA – Conservation Finance Alliance

CFA promotes the sharing of knowledge and best practices in conversation finance, by carrying out meetings, debates, research and publications. Funbio has been reelected for its third mandate as CFA's Executive Secretary until the end of 2014 and continues to manage the network activities and tools.

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO

Notes to the Financial Statements

At December 31, 2012

In thousands of reais.

In 2012, CFA held its global biannual meeting, simultaneously with IUCN (International Union for Conservation of Nature) Global Conservation Conference in Jeju, South Korea. The meeting was attended by members from Latin America, North America, Africa and Europe, and provided a forum for rendering of accounts, in addition to the development of theme strategies and actions for the coming years.

In September 2012, CFA supported the II CAFE (Consortium of African Funds for the Environment) Assembly in Entebbe, Uganda. At that time, African funds developed a strategy to strengthen the newly created network and introduce it to potential regional and international partners.

Additionally, CFA developed three studies on environment funds: “Comparative advances of environment funds and projects to finance protected area systems”, “Specificities of regional environment funds”, and the 5th edition of CTIS – Research on Financial Investments of Environment Funds. The studies were presented at sessions of IUCN’s Global Conservation Congress, at the II CAFE Assembly, and SIV RedLAC Assembly.

9.20. Feasibility study of a “Cap & Trade” scheme at the Guanabara Bay

The project assesses the feasibility and proposes a Cap & Trade system to market industrial liquid pollution reduction credits at the Guanabara Bay, State of Rio de Janeiro. This market mechanism is intended to control the issuance of effluents and improve the bay conservation condition.

During 2012, a number of assessments were made, including: Cap & Trade projects in other countries; legislation relating to industrial liquid pollutants in the Guanabara Bay; main pollutants in the Guanabara Bay, preconditions for a Cap & Trade scheme for the Bay. Also, the socio-economic and institutional context was identified and a mapping of the environment status of the Guanabara Bay was prepared.

Preliminary results indicate that several obstacles exist to implement this tool in the short term, including: the source of pollution, which is essentially lack of basic sanitation rather than the action of industrial market players; the legislation, which is based on emission concentration, rather than volume; and the State Government limited inspection capacity.

The project was developed in partnership with BVRio, with a view to the potential future implementation and possibility of applying the system to other locations. The project is one of five innovative pilot arrangements that were co-funded under the RedLAC’s skill-building project for environment funds.

9.21. Forest Investment Program (FIP) of Climate Investment Funds

The Forest Investment Program (*Programa de Investimentos em Florestas* - FIP), which is part of the Climate Investment Funds (*Fundos de Investimentos em Clima* - CIF) program, provides support to deforestation and degradation reduction efforts and promotes sustainable forest management to lower emissions and increase the forest carbon stock. In Brazil, FIP supports the Brazilian Investment Plan, whose goal is to promote the sustainable use of land and improve forest management in the Cerrado biome through integrated actions.

The purpose of this Project was to prepare the Brazilian proposal to be submitted to the World Bank to secure approximately USD 70 million comprising donations and loans.

Coordination meetings were held in Brasília, with the participation of several ministries involved in the matter and representatives of the civil society. FIP's four lines of action in Brazil were discussed: the ABC (low-carbon agriculture) plan; Rural Environment Register (*Cadastro Ambiental Rural - CAR*); a fire alert system; and a stock-taking of the forest biome. In May 2012, the proposal was submitted and approved by the World Bank.

Funds remaining from this Project have been allocated to the preparation of the Rural Environment register by the Brazilian Ministry of Environment.

In December 2012, two meetings were arranged in Palmas, State of Tocantins, for skill-building of unions of small farmers with respect to the workings of CAR. Also, consultants were engaged to prepare a number of analyses (social, economic and environmental aspects), expected to be completed in the course of 2013.

9.22. RRB Preparing Brazil for REDD+

This project was designed to promote the ability of State and Local governments to reduce greenhouse gas emissions from the use of land, by adopting best practices in management of private land, in order to support the transition to a low-carbon economy in the States of Mato Grosso and Pará.

This USAID-funded initiative is implemented through a consortium comprising Funbio, TNC – The Nature Conservancy, ISA – Instituto Socioambiental, EDF – Environmental Defense Fund, and ICV – Instituto Centro de Vida.

Funbio is in charge of developing an economic arrangement to encourage best practices in agriculture and cattle raising. The municipality of São Félix do Xingu, one of the three municipalities with the largest cattle herds in Brazil and a high deforestation rate, was selected by the Project team as a case study. To achieve this, data was collected and social, economic and environmental aspects of the main production chains in the municipality were studied.

Studies have demonstrated that the production mode based on extensive cattle raising is inefficient and unable to ensure the actual generation and distribution of wealth. From the observations made, the main focus of activities targeted at reducing deforestation should lie on large and mid-sized producers having forest-related liabilities.

In this sense, economic instruments which would induce the sustainable production are being evaluated, such as incentives for good practices along the agribusiness production chain, with certificates being granted, dissemination of low-cost, low-complexity technological innovations, and diversification of economic activities. Similar actions are under consideration with respect to small producers who, in spite of less influential concerning deforestation, may serve as a show case to convince other producers of the economic benefits of high-productivity, low environmental impact managed cattle raising. It is expected that the feasibility study to implement such instruments is completed by September 2013.

This project gave rise to a second one, named “Green Economy in the Amazon Region”, which was developed by Funbio in partnership with TNC, and funding from the British Embassy. This new project is aimed at helping to put into practice the agenda of the Pact to End Illegal Deforestation in the Municipality of São Félix do Xingu, by supporting the transformation of the development model currently adopted in that municipality.

9.23. Ecofunds

The Ecofunds Database project is a collaborative database of RedLAC – Network of Environment Funds in Latin America and the Caribbean, designed to map investments, organization and projects relating to environment conversation, with a focus on those investments that are brokered by environment funds. The database enables organizations to promote their initiatives, enhances the investment transparency, and supports the assessment of the environment funding scenario in specific regions or themes.

Ecofunds is the first project to be jointly managed by RedLAC members. The coordination responsibility rests with Funbio, with the support of the other nine network funds, working in the Andes Amazon region, the initial geographic focus of this project. Ecofunds was also designated as the official data aggregation tool for network members.

During 2012, the first version of the tool was redesigned to meet the network requirements and include new functionalities. Ecofunds 2.0 will be more user-friendly, available to all regions, and capable of showing the concentration of resources in the map. This second version will be launched in 2013.

9.24. Paiter Surui Fund

The Paiter Surui Fund is a financial arrangement designed to implement the Management Plan of Sete de Setembro Indian Land, based on good governance and transparency principles, with the active participation of representative Indian councils in the decision making process. Financial resources from the sale of carbon credits as well as other sources will be an integral part of Paiter Surui Fund. Funbio is responsible for the design and financial management of the fund.

The Surui Indian people struggle to preserve their natural resources and in the past decade, under the leadership of Almir Surui, they prepared a 50-year strategic plan focused on the conservation, protection and sustainability of their land. To finance this plan, they have developed a REDD+ carbon project and a fund to receive monies from the sale of credits, in addition to resources from other sources. The fund was designed and is managed by Funbio and will finance proposed projects conceived by the Surui people.

In 2012, the fund was validated by the Surui people and the fund Operational Manual was completed. In connection with the receipt of resources, a proposal was submitted to the Fundo Amazônia and a further proposal was submitted to company Natura for the sale of the first credits. In both cases, negotiations are ongoing and a final decision is expected for 2013.

Funbio will support the continuing skill-building of the Surui people to manage the Paiter Surui Fund and handle carbon credit sales during the first rounds of the voluntary market.

9.25. REDD+ feasibility study in the State of Acre

The purpose of this study is to obtain a deeper understanding of regulatory, policy and social/environmental matters surrounding the concept of REDD+ (Reducing Emissions from Deforestation and Degradation) in the State of Acre.

Acknowledge experts in all project-related areas participated as consultants in this study, to name a few, professor Luiz Gylvan Meira Filho and professor Niro Higuchi. The study covered an area of approximately 1.55 million hectare and reviewed the ability to implement a REDD+ Project, the related carbon credit generation potential and social impact on the region.

The study found that the success of the future REDD+ Project would require the area to be divided into three portions and a phase approach should be adopted, thus substantially reducing implementation costs. The study has mapped the conditions in the area and is used by partners to develop project proposals to be put into practice over the next years.

10. Fund of resources FUNBIO

Fund of resources Funbio (Fundo de Recursos do Funbio – FRF) is aimed at supplementing the entity’s cash requirements as necessary. The Deliberative Council’s strategic intent is to reduce the entity’s reliance on FRF.

In 2012, for the first time since its formation, Funbio reached the break-even point and no support from FRF was required. In 2011, the volume of withdrawals from the Fund declined from prior years.

The entity continues to pursue its financial sustainability, driven by the increase in the number of projects and streamlining of funds obtained. FRF ensures that Funbio is able to carry on its activities at those times when own resources are required. Management of FRF assets is monitored by Funbio’s Asset Management Committee and administered by Pragma Gestão de Patrimônio.

	<u>2012</u>	<u>2011</u>
At January 1	12,680	15,118
Return for the year	1,531	1,241
Administration fees - Pragma	(9)	(5)
Adjustment of the provision for income tax	(38)	26
Withdrawals during the year	-	(3.700)
At December 31	<u>14,164</u>	<u>12,680</u>

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO
Notes to the Financial Statements
At December 31, 2012
In thousands of reais.

11. Project reimbursement

	<u>2012</u>	<u>2011</u>
Projects		
BNDES - Arpa 2ª Fase	1,374	322
FMA - Convênio SEA	1,028	888
KFW - Arpa 2ª Fase	975	-
GEF BM - Arpa 2ª Fase	671	-
Probio II	430	381
Terra do Meio	423	-
GEF Cerrado	344	234
GEF Polinizadores	252	148
RedLac Capacitação	221	235
TNC USAID	145	-
Novas Fontes Arpa	145	-
TNC UK	105	-
Diálogos Sustentáveis	95	44
Carbono Suruí	88	51
Suruí Itto Marubeni	78	34
CFA	75	65
Cap Trade	60	-
CLUA - Estudos Finanças REDD	44	-
FIP	37	-
Ecofunds/BCID	10	108
AFCP	6	45
BACP	1	30
RedLac	-	91
Focus Visão Brasil	-	39
Carteira Fauna	-	98
GEF Nutrição	-	6
TFCA	-	101
Other	122	5
Total	<u><u>6,729</u></u>	<u><u>2,925</u></u>

12. Administration fees

	<u>2012</u>	<u>2011</u>
Projects		
TFCA	948	-
AFCOF II	581	456
Carteira Fauna – Sirênios	123	122
Carteira Fauna - Ararinha Azul	91	-
GEF Polinizadores	75	126
RedLac	13	16
Terra do meio	11	-
Fundo Carteira Fauna	4	1
CFA	3	-
Adoção de Parques	-	528
AFCOF I	-	20
AFCP	-	3
	<u>1,849</u>	<u>1,272</u>

13. Services rendered

	<u>2012</u>	<u>2011</u>
Projects		
Fundo Juruti – Alcoa	286	720
Natura Cosméticos	181	372
SEMA – PR	111	-
Klabin	93	-
Instituto Semeia	23	53
	<u>694</u>	<u>1,145</u>

FUNDO BRASILEIRO PARA A BIODIVERSIDADE - FUNBIO
Notes to the Financial Statements
At December 31, 2012
In thousands of reais.

14. Finance result, net

	<u>2012</u>	<u>2011</u>
Discounts and rebates obtained	77	127
Exchange variation income	47	44
Return on financial investments	<u>26</u>	<u>17</u>
Finance income	<u>150</u>	<u>188</u>
Exchange variation expenses	31	36
Bank expenses	8	11
IOF (Tax on Financial Transactions)	3	1
Interest paid	<u>-</u>	<u>2</u>
Finance expenses	<u>42</u>	<u>50</u>
	<u>108</u>	<u>138</u>

15. Insurance coverage

It is the entity's policy to contract insurance coverage for those assets exposed to risks at amounts deemed sufficient to cover potential claims, taking into account the nature of its activities. The risk assumptions adopted, given their nature, are out of the scope of an audit of financial statements and, accordingly, have not been examined by our independent auditors.

At December 31, 2012, the entity had the following main insurance policies from third parties:

<u>Type</u>	<u>Amount insured</u>
Fire of property, plant and equipment	1,000

* * * *

Rosa Maria Lemos de Sá
General Manager

Aylton Coelho Neto
Planning and Management Officer

Technical Responsible

Daniele Soares dos Santos
Accountant CRC-RJ - 095.266/0-0