

Belo Horizonte, April 22, 2016

Dear Counselors and Directors of
Conservation Internacional do Brasil
Rio de Janeiro - RJ

A/C Mrs. Flávia Souza Rocha
President

Mr. Ronald Shalders Neri
Director of Operations

Mr. José Augusto Rocha Magalhães
Director of Accounting

Dear Sirs,

As part of the review program of accounting and financial procedures of the balance to be closed in the year 2015, we proceeded to Audit and Review of Internal Controls at the date of December 31, comprising the Balance Sheet and Accounts Results of the fiscal year.

We are at your disposal for further clarifications that may be necessary.

Regards,


R&R AUDITORIA E CONSULTORIA
Luiz Carlos Rodrigues e Rodriguez
Diretor

Conservation Internacional do Brasil

EXTERNAL AUDIT REPORT

January to December 2014

INTRODUCTION

This report relates to the Audit of Procedures and Internal Controls adopted for the Accounting and Financial Statements of Conservation Internacional Brazil, for the period from 01 Jan to 31 December 2015, comprising the Balance Sheet and the Profit and Loss Account of Fiscal Year.

Substantive audit procedures designed to detect material misstatements at the assertion level were performed. Substantive procedures included:

Controls testing;

Tests of details (of classes of transactions, balances of accounts and disclosures);

Substantive analytical procedures; and

Substantive analytical procedures of external confirmation.

Verifications of books, documents, controls and other operational elements were made. We adopted the test system, sampling and selective evidence, at the extent deemed necessary under the circumstances.

There was no examination of all operations from day to day, but the principal verifications that the Audit judged necessary in order to examine the consistency of the values shown were made, forming the basis for the belief that it is expended in the Final Opinion.

Our work was performed in accordance with the Rules and Procedures on Auditing as in Resolutions 1203/09 and 1329/11, of the Federal Accounting Council, observing also the constants of Accounting Standards of Resolutions 750/93, 1282 / 10 and 1328/11, of the same Federal Accounting Council.

Were observed also in what was applicable, the provisions of Law 6,404 / 76, as amended, and the Rules and Resolutions issued by the Brazilian Securities Commission - CVM.

In support of the Audit opinion on these accounting and financial statements, necessary routine examinations and special examinations were proceeded, at the level which was considered sufficient. In addition, complementary explanations were obtained to the purpose of the work performed.

CONSERVATION INTERNATIONAL DO BRASIL

CNPJ 38.737.938/0001-61

BALANCE SHEETS ON DECEMBER 31 2015 AND 2014

(In Reais)

ASSETS

		<u>2015</u>	<u>2014</u>
CURRENT			
Cash and cash equivalentes	4	7.739.474	3.853.215
Receivables		2.653.646	5.221.750
Advances		95.701	92.000
Others Receivables		234.007	-
		<u>10.722.828</u>	<u>9.166.965</u>
NON CURRENT	5		
Linked Financial Application		5.000.000	5.000.000
Property for Sale		2.800.000	2.800.000
Fixed Assets		289.683	451.947
		<u>8.089.683</u>	<u>8.251.947</u>
TOTAL ASSETS		<u><u>18.812.511</u></u>	<u><u>17.418.912</u></u>

The accompanying notes are an integral part of these financial statements

LIABILITIES

		<u>2015</u>	<u>2014</u>
CURRENT			
Granted Donations to pay		-	5.200
Tributary Obligations		158.216	65.369
Labor and Social Security Obligations		920.326	1.012.153
Other Accounts Payable		24.050	-
		<u>1.102.592</u>	<u>1.082.721</u>
NON CURRENT			
Projects to Execute	7	7.231.536	7.231.536
Deferred Revenues	8	5.830.595	5.726.022
		<u>13.062.131</u>	<u>12.957.559</u>
NET EQUITY			
Social Equity	9	3.378.632	2.730.441
Surplus /(Deficit) of the fiscal year		1.269.155	648.191
		<u>4.647.787</u>	<u>3.378.632</u>
TOTAL LIABILITIES		<u>18.812.511</u>	<u>17.418.912</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF RESULTS FOR THE FISCAL YEARS
ENDING IN DECEMBER 31 2015 AND 2014

(In Reais)

	2015	2014
INCOME		
Receipts CI / Washington	7.428.213	7.044.635
Corporations	6.057.010	4.545.694
Restricted Individual Donations	794.069	291.836
Government not U.S.	-	-
Product/Service Sales	2.059.014	1.538.659
Financial Revenue	1.290.219	2.185.113
Fundations/NGO	734.820	880.505
Other Revenues	4.322	-
	18.367.666	16.486.442
EXPENSES		
Donations Granted	(328.666)	(123.400)
Personnel Expenses	(8.837.289)	(8.838.588)
General and Administrative Expenses	(5.108.619)	(3.727.150)
Projects Expenses	(1.904.275)	(1.857.005)
Ocupation Expenses	(794.777)	(1.145.345)
Depreciation and amortization	(124.884)	(146.763)
	(17.098.510)	(15.838.251)
SURPLUS/(DEFICIT) OF THE FISCAL YEAR	1.269.155	648.191

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN NET EQUITY
FOR THE FISCAL YEARS ENDING IN DECEMBER 31 2015 AND 2014

(In Reais)

	<u>Social Equity</u>	<u>Acumulated Surplus</u>	<u>Total</u>
Balance in December 31 2012	2.372.850	1.322.397	3.695.247
Transfer to social equity	1.322.397	(1.322.397)	-
Surplus of the Fiscal Year		(964.805)	(964.805)
Balance in December 31 2013	3.695.247	(964.805)	2.730.442
Transfer to social equity	(964.805)	964.805	-
Surplus of the Fiscal Year		648.191	648.191
Balance in December 31 2014	2.730.442	648.191	3.378.632
Transfer to social equity	(648.191)	648.191	-
Surplus of the Fiscal Year		1.269.155	1.269.155
Balance in December 31 2015	2.082.251	2.565.537	4.647.787

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOW FOR THE FISCAL YEARS
ENDING IN DECEMBER 31 2015 AND 2014
(In Reais)

	<u>2015</u>	<u>2014</u>
Cash flow of operational activities		
Surplus/(Deficit) of the fiscal year	1.269.155	648.191
Depreciation	124.884	146.763
Residual value of fixed assets sale	-	-
	<u>1.394.040</u>	<u>794.954</u>
(Increase) decrease of assets		
Receivables	2.568.104	965.446
Various Advances	(3.701)	(33.415)
Taxes credits	-	-
	<u>2.564.403</u>	<u>932.031</u>
Increase (decrease) of liabilities		
Payable Donations Granted	(5.200)	(31.250)
Tributary Obligations	92.847	(257.953)
Labor and Social Security Obligations	(91.826)	286.189
Projects to Execute	-	-
Other Accounts Payable	-	-
	<u>(4.179)</u>	<u>(3.014)</u>
Net cash from operational activities	<u>3.954.264</u>	<u>1.723.971</u>

Cash flow of investment activities

Additions to fixed assets	37.380	(230.088)
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Resource receipt for projects	<u>(105.385)</u>	<u>(605.810)</u>
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Net cash applied in investment activities	<u>(68.005)</u>	<u>(835.898)</u>
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Cash increase and cash equivalent	<u>3.886.259</u>	<u>888.073</u>
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Cash at the beginning of the fiscal year	3.853.215	2.965.142
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Cash at the end of the fiscal year	<u>7.739.474</u>	<u>3.853.215</u>
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Cash increase and cash equivalent	<u>3.886.259</u>	<u>888.073</u>
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The accompanying notes are an integral part of these financial statements

STATEMENT OF THE ADDED VALUE FOR THE FISCAL YEARS
ENDING IN DECEMBER 31 2015 AND 2014
(In Reais)

	<u>2015</u>	<u>2014</u>
REVENUES	17.077.447	14.301.328
Received Donations	15.014.111	12.762.669
Consulting revenues	2.063.336	1.538.659
INPUTS PURCHASED FROM THIRD PARTIES (tax included)	6.832.691	5.581.219
Donations granted (Partners)	328.666	123.400
Costs of statutory activities (Environmental Conservation)	2.592.491	2.495.123
Materials, energy, third party services and others	3.911.534	2.962.696
GROSS ADDED VALUE	10.244.756	8.720.109
RETENTIONS	124.884	146.763
Depreciations, amortization and depletion	124.884	146.763
NET ADDED VALUE PRODUCED BY THE ENTITY	10.119.871	8.573.346
ADDED VALUE RECEIVED FROM TRANSFER	1.290.219	2.185.113
Financial Revenues	1.290.219	2.185.113
TOTAL ADDED VALUE TO BE DISTRIBUTED	11.410.090	10.758.459

DISTRIBUTION OF ADDED VALUE	11.410.090	100%	10.758.459	100%
Personnel and charges	8.837.289	77,45%	8.838.588	82,15%
Taxes and contributions (Government)	809.366	7,09%	455.263	4,23%
Interest, rents and others	494.280	4,33%	816.418	7,59%
Surplus of the fiscal year	1.269.155	11,12%	648.191	6,02%

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

IN DECEMBER 31 2015 AND 2014

(In Reais)

1. OPERATIONS

Conservation Internacional do Brasil is a civil non-profit association that aims to devote itself to integration efforts for biodiversity conservation with those who promote the improvement of life of man, through demonstration of the viability of models of developments supported .

The mission of Conservation International is to promote human welfare strengthening society in a responsible and sustainable care for nature - our global biodiversity - supported by a strong foundation of science, partnership and field experiences.

We imagine a prosperous and healthy world in which the company has committed to take care of nature - our global biodiversity - and value it for permanent welfare of the people and all forms of life on Earth.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which comprise the Brazilian Corporate Law, the pronouncements, guidelines and interpretations issued by the CPC - Accounting Pronouncements Committee and presented in Reais.

Functional currency and presentation currency

The financial statements are presented in Reais (R\$), which is the functional currency of the entity.

3. MAJOR ACCOUNTING POLICIES ADOPTED

The main accounting policies adopted in the preparation of these statements are as follows:

a) Cash and cash equivalents

The organization considers cash equivalents: (i) financial investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and/or (ii) an investment when you have short-term maturity, by say, three months or less from the date of hire.

b) Receivables

Receivables are initially stated at present value, deducted from the provisions for bad debts, where applicable. The provision for bad debts is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the book value and the recoverable amount.

c) Other current assets

They are valued at cost of acquisition or issue, updated as legal or contractual provisions, adjusted to the probable realizable value, when lower.

d) Property for sale

Stated at cost of donation received.

e) Fixed assets

Stated at cost, net of depreciation calculated on the straight-line method, according to the economic lifespan of the assets.

f) Impairment of assets

Fixed assets are reviewed annually to identify evidences of unrecoverable losses or whenever significant events or changes in circumstances indicate that the book value may not be recoverable. When estimated loss is recognized for the amount by which the asset's book value exceeds its recoverable amount, which is the highest between net sales price and the value in use of an asset.

g) Provisions

Provisions are recognized when the entity has a present obligation, legal or constructive, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

h) Foreign currency conversion

Foreign currency transactions are converted into reais using the exchange rates prevailing at the dates of the transactions. Balance sheet accounts are translated at the exchange rate at the balance sheet date.

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 are recognized in the results of the fiscal year.

i) Use of estimates

In the application of the entity's accounting policies, management is required to make judgments, estimates and assumptions about the book values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors deemed relevant. Actual results could differ from those estimates.

Estimates and assumptions are reviewed continuously. The effects of revisions are recognized in the period in which they are revised if the revision affects only that period, or in later periods also if the revision affects both current and future periods.

j) Results

The result of operations is determined in accordance with the accrual basis of accounting.

The integrating elements of assets and liabilities arising from long-term or short-term operations, have no relevant effect to be adjusted to present value based on discount rates that reflect the best market assessments of the value of money over time and the specific risks of assets and liabilities on their original dates.

4. CASH AND CASH EQUIVALENTS

	<u>2015</u>	<u>2014</u>
Cash	4.800	5.800
Banco Itaú – Savings	4.812.245	1.908.850
Banco Itaú – BHE	760.268	581.271
Banco Itaú – Petrobrás	1.005.176	995.924
Banco Itaú – BH Funbio	71.122	123.841
Banco Itaú – Rio de Janeiro	669.993	18.970
Banco Itaú- Fenubio TFCA Redes	31.617	-
Banco do Brasil – Caravelas	14.315	7.436
Banco do Brasil – Belém	-	12.224
Banco do Brasil – 3297 - 2/5030-x	-	-
Banco Itaú – FIEB	203.574	180.508
Banco Itaú – TEEB	-	18.391
Banco Itaú – Walmart	154.721	-
Banco Itaú – Belém	11.643	
	<u>7.739.474</u>	<u>3.853.215</u>

5. NON CURRENT ASSETS

Descrição	Anual Depreciation Rates	<u>2015</u>			<u>2014</u>
		Cost	Depreciation	Net	Net
Linked Financial Investment (a)	-	5.000.000	-	5.000.000	5.000.000
Property for Sale (a)	-	2.800.000	-	2.800.000	2.800.000
Furniture and Equipment (b)	10% e 20%	1.620.329	(1.340.721)	279.607	342.767
Vehicles (b)	20%	86.169	(76.093)	10.076	25.855
		<u>9.556.052</u>	<u>(1.416.815)</u>	<u>8.089.683</u>	<u>8.168.622</u>

- (a) Refers to a property called Fazenda Rio Negro situated in the municipality of Aquidauana - MS, owned by the entity for receiving as donation, with an area of

7,647 ha, which is engraved with inventory of assets and rights issued on May 29 2008 by Receita Federal of Campo Grande - MS in the face of existing tax debts for non-payment of Tax on Rural Property - ITR from 2003 to 2005.

This property was intended for sale on October 1, 2010, as Promise of Private Agreement for Purchase and Sale signed with Agropecuária Santana do Deserto Ltda., For R \$ 7.2 million, whose transaction is irrevocable and irreversible. The organization has received \$ 5 million as binder payment for the sale, whose resources are kept in short-term investments (Note 7). As the sixth clause of this contract the buyer took provisional possession of the property. If there is contractual resolution by the entity selling the property the buyer may in its discretion require in court the adjudication the Fazenda Rio Negro or demand the refund in double of the amount paid as binder payment plus indexation, interest of 1% month, court costs and attorney fees.

Completion of the sale of the property and hence its writedown, depends on the resolution of the administrative proceedings in Receita Federal of Brazil (Note No. 12).

- (b) In accordance with CPC 27 - Fixed Assets and ICPC 10 - Interpretation on the Initial Application to Fixed Assets and Investment Property of Technical Pronouncements CPC 27, 28, 37 and 43, the entity decided not to use the deemed cost because it understands that the recorded book values are consistent with their fair values. Another issue addressed by these regulations refers to the review of the rate of depreciation of fixed assets. The organization understands that currently used rates adequately reflect the economic lifespan of these assets.

6. PAYABLE DONATIONS GRANTED

	<u>2015</u>	<u>2014</u>
Centro de Pesquisas Ambientais do Nordeste – CEPAN	-	50
Anamélia de Souza Jesus	-	1.950
Fernanda Pedreira Tabacow	-	1.950
Thiago Cavalcante Ferreira	-	1.300
	<u>-</u>	<u>5.200</u>

7. PROJECTS TO EXECUTE

	<u>2015</u>	<u>2014</u>
Agropalma S/A	19.729	19.729
Monsanto do Brasil Ltda –TEEB	105.059	105.059
ATE V-Londrina Transmissora de Energia S/A	9.260	9.260
Fundo Brasileiro de Biodiversidade - Funbio	213.770	213.770
Natura Cosméticos S/A	115.440	115.440
Banco Santander S/A	19.789	19.789
Fundo Brasileiro de Biodiversidade – Funbio TFCA	189.387	189.387
CLUA –Climate and Land Use Alliance	627.110	627.110
United Way Worldwide – Citi Foundation	170.757	170.757
SEMA - Secretaria do Meio Ambiente PA	-	-
Instituto Walmart	7.707	7.707
Vale S/A - TEEB 245081	95.604	95.604
Vale S/A - VALE MAIS C45111	420.740	420.740
FIEB – Federação Industrias Estado Bahia	103.904	103.904
Petróleo Brasileiro S/A – Petrobrás	2.926.394	2.926.394
Fundação Pesquisa – FAPUR/UFRRJ	1.883.759	1.883.759
Agropolo Mucugê Ibicoara	150.000	150.000
Empreendimentos Participações B4 Ltda	173.127	173.127
	<u>7.231.536</u>	<u>7.231.536</u>

It refers to funds from signed contracts, to be invested in projects for the development and sustainability of biodiversity.

8. DEFERRED REVENUES

	<u>2015</u>	<u>2014</u>
Fazenda Rio Negro (a)	4.966.949	4.966.949
Giz – Contrato nº 45071	-	-
Votorantim	33.705	33.705
Fas Desenvolvimento e Gestão de Negócios	<u>829.941</u>	<u>725.368</u>
	<u>5.726.022</u>	<u>5.726.022</u>

(a) Fazenda Rio Negro

Balance arising from property sale (Explanatory Note 6 (a)), in 2010, approved on record, which feature is intended for application in the conservation and sustainable use of biodiversity of pantanal biome. The value of this liability is pending recognition as revenue due to the challenges to tax assessments received by the entity for non-tax payment on Rural Property - ITR from 2003 to 2005.

9. SOCIAL EQUITY

The Social Equity consists of the initial contributions of founders, added or subtracted, respectively, of the surplus or deficit inherent in the activities of the entity at the end of each fiscal year.

10. INSURANCE

Conservation Internacional do Brasil has insurance to cover any losses of various kinds, and the insured amounts considered sufficient by the entity's management.

11. CONTINGENCIES

The management of the entity adopts the practice of periodically reviewing with its external legal counsel the evolution of each of the processes in which the entity engages in view of their activities. In the review carried out on December 31, 2015, management concluded that it was unnecessary to set up any provision for contingency.

The provision for contingencies and risks at December 31, 2015, classified as possible loss, is presented below:

	<u>2015</u>	<u>2014</u>
Labor	13.776	13.776
Civil	8.227.164	7.413.469
	<u>8.240.940</u>	<u>7.427.245</u>

The civil contingent liability refers to the non-payment of ITR as described in Notes 6 (a) and 9 (a).

Collegiate Directors Board

Flávia Souza Rocha

President

Ronald Shalders Neri

Director of Operations

Technical Manager

José Augusto Rocha Magalhães

CRC 39 937 MG / O-2

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Dear. Board Members and Managers of
Conservation Internacional do Brasil
Rio de Janeiro - RJ

We have audited the balance sheet of Conservation Internacional do Brasil, raised on December 31, 2015 and the related Statements of Income, of Changes in Net Equity and Cash Flow for the period then ended. These financial statements are the entity's management responsibility. Our responsibility is to perform the audit in order to express an opinion on these financial statements.

Management's Responsibility for Financial Statements

The Administration of Conservation Internacional do Brasil is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to non-profit purpose entities (ITG 2002), and for such internal control which it determines is necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international auditing standards. Those standards require that we comply with ethical requirements by the auditors and that the audit is planned and performed in order 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 in the financial statements, whether due to fraud or error. In this risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the entity's 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 internal controls of the Entity. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Administration, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Conservation Internacional do Brasil, on December 31, 2015, the performance of its operations, changes in its Net Equity and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil, applicable to non-profit entities (ITG 2002).

Emphasis

As described in Notes paragraph 5 ,8 and 11, it is pending a definition by the Entity with the tax authorities if there will be need to make the payment of related debts to the Tax on Rural Property - ITR of 2003-2005 and for which there is no recognized provision. The balance of this contingent liability updated on December 31, 2015 is \$ 8.227 million (R \$ 7.413 million in 2014).

Although there is no definitive conclusion regarding the assessment notices for payment of the tax, the Entity, by the year 2015, recognized the amount of R\$ 1,944,864 relating to income earned on the funds originally received due to the sale of the property transaction, given that in the event of termination of the purchase and sale agreement , the buyer may, at its discretion, require the court to award the Fazenda Rio Negro or require the return of the amount double of Arras confirmatory plus indexation , interest 1% per month , court costs and attorney fees.

Other subjects


Also audited the statements of value added (DVA) and consolidated, for the year ended December 31, 2015, prepared under the responsibility of the administration of the Entity, whose presentation is required by Brazilian corporate legislation for listed companies. These statements were submitted to the same audit procedures described above and, in our opinion, are presented fairly, in all relevant aspects in relation to the financial statements taken as a whole.

Belo Horizonte, April 22, 2016


R & R AUDITORIA E CONSULTORIA

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