

Belo Horizonte, October 19, 2015

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

A/C Mr. Francisco Antonio Rodrigues Barbosa
President

Mr. José Augusto Rocha Magalhães
Director of Operations

Dear Sirs,

As part of the review program of accounting and financial procedures of the balance to be closed in the year 2014, 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 2014, 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 2014 AND 2013

(In Reais)

ASSETS

		<u>2014</u>	<u>2013</u>
CURRENT			
Cash and cash equivalentes	4	3.853.215	2.965.142
Receivables	5	5.221.750	6.187.196
Advances		92.000	58.585
Others Receivables		-	-
		<u>9.166.965</u>	<u>9.210.923</u>
NON CURRENT	6		
Linked Financial Application		5.000.000	5.000.000
Property for Sale		2.800.000	2.800.000
Fixed Assets		451.947	368.622
		<u>8.251.947</u>	<u>8.168.622</u>
TOTAL ASSETS		<u><u>17.418.912</u></u>	<u><u>17.379.546</u></u>

The accompanying notes are an integral part of these financial statements

LIABILITIES

		<u>2014</u>	<u>2013</u>
CURRENT			
Granted Donations to pay	7	5.200	36.450
Tributary Obligations		65.369	323.322
Labor and Social Security Obligations		1.012.153	725.964
Other Accounts Payable		-	-
		<u>1.082.721</u>	<u>1.085.736</u>
NON CURRENT			
Projects to Execute	8	7.231.536	7.231.536
Deferred Revenues	9	5.726.022	6.331.832
		<u>12.957.559</u>	<u>13.563.368</u>
NET EQUITY			
Social Equity	10	2.730.441	3.695.247
Surplus /(Deficit) of the fiscal year		648.191	(964.805)
		<u>3.378.632</u>	<u>2.730.442</u>
TOTAL LIABILITIES		<u>17.418.912</u>	<u>17.379.546</u>

The accompanying notes are an integral part of these financial statements

STATEMENT OF RESULTS FOR THE FISCAL YEARS
ENDING IN DECEMBER 31 2014 AND 2013
(In Reais)

	<u>2014</u>	<u>2013</u>
INCOME		
Receipts CI / Washington	7.044.635	5.970.290
Corporations	4.545.694	3.049.458
Restricted Individual Donations	291.836	269.774
Government not U.S.	-	-
Product/Service Sales	1.538.659	164.626
Financial Revenue	2.185.113	179.736
Fundations/NGO	880.505	1.720.973
Other Revenues	-	-
	<u>16.486.441</u>	<u>11.354.856</u>
EXPENSES		
Donations Granted	(123.400)	(132.392)
Personnel Expenses	(8.838.588)	(7.426.467)
General and Administrative Expenses	(3.727.150)	(2.433.101)
Projects Expenses	(1.857.005)	(1.352.795)
Ocupation Expenses	(1.145.345)	(818.684)
Depreciation and amortization	(146.763)	(156.220)
	<u>(15.838.250)</u>	<u>(12.319.661)</u>
SURPLUS/(DEFICIT) OF THE FISCAL YEAR	<u><u>648.191</u></u>	<u><u>(964.805)</u></u>

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 2014 AND 2013

(In Reais)

	Social Equity	Acumulated Surplus	Total
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

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOW FOR THE FISCAL YEARS
ENDING IN DECEMBER 31 2014 AND 2013
(In Reais)

	<u>2014</u>	<u>2013</u>
Cash flow of operational activities		
Surplus/(Deficit) of the fiscal year	648.191	(964.805)
Depreciation	146.763	156.220
Residual value of fixed assets sale	-	12.574
	<u>794.954</u>	<u>(796.011)</u>
(Increase) decrease of assets		
Receivables	965.446	(4.751.596)
Various Advances	(33.415)	1.483
Taxes credits	-	-
	<u>932.031</u>	<u>(4.750.113)</u>
Increase (decrease) of liabilities		
Payable Donations Granted	(31.250)	(294.866)
Tributary Obligations	(257.953)	504
Labor and Social Security Obligations	286.189	18.539
Projects to Execute	-	4.051.927
Other Accounts Payable	-	(46.155)
	<u>(3.014)</u>	<u>3.729.949</u>
Net cash from operational activities	<u>1.723.971</u>	<u>(1.816.175)</u>

Cash flow of investment activities

Additions to fixed assets	(230.088)	(30.448)
Resource receipt for projects	(605.810)	219.755
Net cash applied in investment activities	(835.898)	189.307

Cash increase and cash equivalent

	888.073	(1.626.868)
Cash at the beginning of the fiscal year	2.965.142	4.592.010
Cash at the end of the fiscal year	3.853.215	2.965.142
Cash increase and cash equivalent	888.073	(1.626.868)

STATEMENT OF THE ADDED VALUE FOR THE FISCAL YEARS
ENDING IN DECEMBER 31 2014 AND 2013
(In Reais)

	<u>2014</u>	<u>2013</u>
REVENUES	14.301.328	11.175.121
Received Donations	12.762.669	11.010.495
Consulting revenues	1.538.659	164.626
INPUTS PURCHASED FROM THIRD PARTIES (tax included)	5.581.219	3.760.425
Donations granted (Partners)	123.400	132.392
Costs of statutory activities (Environmental Conservation)	2.495.123	1.352.795
Materials, energy, third party services and others	2.962.696	2.275.237
GROSS ADDED VALUE	8.720.109	7.414.696
RETENTIONS	146.763	156.220
Depreciations, amortization and depletion	146.763	156.220

NET ADDED VALUE PRODUCED BY THE ENTITY	8.573.346		7.258.476	
ADDED VALUE RECEIVED FROM TRANSFER	2.185.113		179.736	
Financial Revenues	2.185.113		179.736	
TOTAL ADDED VALUE TO BE DISTRIBUTED	10.758.459		7.438.212	
DISTRIBUTION OF ADDED VALUE				
	10.758.459	100%	7.438.212	100%
Personnel and charges	8.838.588	82,15%	4.963.126	66,7%
Taxes and contributions (Government)	455.263	4,23%	2.621.327	35,2%
Interest, rents and others	816.418	7,59%	818.684	11,0%
Surplus of the fiscal year	648.191	6,02%	(964.805)	-13,0%

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

IN DECEMBER 31 2014 AND 2013

(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.

The financial statements were approved by the Board and authorized for issue on 30 June 2015.

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>2014</u>	<u>2013</u>
Cash	5.800	5.800
Banco Itaú – Savings	1.908.850	2.215.818
Banco Itaú – BHE	581.271	53.698
Banco Itaú – Petrobrás	995.924	460.071
Banco Itaú – BH Funbio	123.841	50.857
Banco Itaú – Rio de Janeiro	18.970	8.238
Banco do Brasil – Brasília	-	20.528
Banco do Brasil – Caravelas	7.436	7.354
Banco do Brasil – Belém	12.224	23.728
Banco do Brasil – 3297 - 2/5030-x	-	-
Banco Itaú – FIEB	180.508	118.540
Banco Itaú – TEEB	18.391	510
	<u>3.853.215</u>	<u>2.965.142</u>

5. RECEIVABLES

	<u>2014</u>	<u>2013</u>
SEMA – Secretaria do Meio Ambiente PA	-	-
Natura Cosméticos S/A	-	80.000
FIEB – Federação das Indústrias Estado Bahia	330.000	330.000
Ministério da Pesca e Aquicultura - MPA	-	-
Fundo Brasileiro de Biodiversidade - Funbio	299.973	419.133
ATE V – Londrina Transmissora de Energia	-	-
Petróleo Brasileiro S/A - Petrobrás	2.016.058	2.467.711
Fundação Pesquisa – FAPUR/UFRRJ	1.883.759	1.883.759
Vale S/A	542.147	678.790
Agropalma S/A	75.303	75.303
Agropolo Mucugê Ibicoara	30.000	30.000
Empreendimentos e Participação B4 Ltda	44.510	222.500
	<u>5.221.750</u>	<u>6.187.196</u>

It refers to donations to be received and applied in projects aimed at developing biodiversity from contracts signed.

6. NON CURRENT ASSETS

Descrição	Anual Depreciation Rates	2014			2013
		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%	1.538.840	(1.229.341)	309.498	342.767
Vehicles (b)	20%	217.212	(74.763)	142.449	25.855
		9.556.052	(1.304.105)	8.251.947	8.168.622

- (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.

7. PAYABLE DONATIONS GRANTED

	<u>2014</u>	<u>2013</u>
Centro de Pesquisas Ambientais do Nordeste – CEPAN	-	50
Centro de pesquisas ambientais do Nordeste – CEPAN	-	-
Fundação Neotropica	-	-
Instituto Lina Galvani	-	-
Mariana Afonso Abade Couceiro	-	-
Marina Shulz Cristo	-	-
Ana Beatriz Moraes	-	-
Fabricio Fernandes	-	-
Carol Fortunato Oliveira	-	-
Anamélia de Souza Jesus	1.950	13.650
Fernanda Pedreira Tabacow	1.950	13.650
Thiago Cavalcante Ferreira	1.300	9.100
Maria Joana da Silva Specht	-	-
Juliana dos Santos Ribeiro	-	-
	<u>5.200</u>	<u>36.450</u>

8. PROJECTS TO EXECUTE

	<u>2014</u>	<u>2013</u>
Alcoa Foundation	-	-
Agropalma S/A	19.729	19.729
Monsanto do Brasil Ltda	-	-
Monsanto do Brasil Ltda -TEEB	105.059	105.059
ATE V-Londrina Transmissora de Energia S/A	9.260	9.260
City Foundation	-	-
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 245151	-	-
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
Ministério da Pesca e Aquicultura - MPA	-	-
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.

9. DEFERED REVENUES

	<u>2014</u>	<u>2013</u>
Fazenda Rio Negro (a)	4.966.949	6.324.821
Giz – Contrato nº 45071 (b)	-	7.011
Votorantim (c)	33.705	-
Fas Desenvolvimento e Gestão de Negócios (c)	725.368	-
	<u>5.726.022</u>	<u>6.331.832</u>

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.

Giz – Contrato nº 45071

Resources available for use in projects aiming at the protection and management of indigenous lands - Systematic Biodiversity - Latin America.

Votorantim e Fas Desenvolvimento e Gestão de Negócios

Proceeds from the provision of services which will be available for use in projects related to the core business of the organization.

10. 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.

11. 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.

12. 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, 2014, management concluded that it was unnecessary to set up any provision for contingency.

The provision for contingencies and risks at December 31, 2014, classified as possible loss, is presented below:

	<u>2014</u>	<u>2013</u>
Labor	13.776	14.230
Civil	<u>7.413.469</u>	<u>7.148.148</u>



AUDITORIA E CONSULTORIA

7.427.245

7.162.378

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

Collegiate Directors Board

Francisco Antonio Rodrigues Barbosa

President

José Augusto Rocha Magalhães

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, 2014 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, 2014, 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 6 , 9 and 12, 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, 2014 is \$ 7.413 million (R \$ 7.13 million in 2013).

Although there is no definitive conclusion regarding the assessment notices for payment of the tax, the Entity, in the year 2014, recognized the amount of R\$ 1,259,683 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 contract of sale only the originally anticipated will be returned.

Other subjects

Also audited the statements of value added (DVA) and consolidated, for the year ended December 31, 2014, 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.

Other auditors who issued an audit report dated May 12, 2014, with caveats, audited the financial statements for the year to December 31, 2013, presented for comparative purposes.

Belo Horizonte, October 19, 2015

R & R AUDITORIA E CONSULTORIA

CRC / MG No. 5198-02

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