



Fundo Amazônia

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

Financial statements

December 31, 2018 and 2017

(A free translation of the original report in
Portuguese containing financial statements
prepared in accordance with accounting
practices adopted in Brazil)

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Independent auditors' report on the financial statements

To the administrator of
Fundo Amazônia
Brasília - DF

Opinion

We have examined the financial statements of Fundo Amazônia (the "Fund"), which comprise the balance sheet as at December 31, 2018 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as the corresponding notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, and its financial performance for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to nonprofit entities (ITG 2002 R1).

Basis for opinion

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the following section, titled "Auditor's Responsibilities for the Auditing of Financial Statements". We are independent of the Fund in accordance with the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



Administrator's responsibility for the financial statements

The Fund's Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to nonprofit entities (ITG 2000 R1) and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, regardless of whether caused by fraud or error.

In the preparation of the financial statements, Administrator is responsible, limited to prerogatives provided in NBC TG 26, for assessing the ability of the Fund to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless the Administrator intends to wind-up the Fund or cease its operations, or has no realistic alternative to avoid the closure of operations.

Auditors' responsibilities for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, regardless of whether caused by fraud or error, and to issue an auditors' that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material when, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted according to the Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement of the financial statements, regardless of whether caused by fraud or error, we plan and perform audit procedures in response to such risks, and we obtain audit evidence that is appropriate and sufficient to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, once the fraud may involve the act of dodging the internal controls, collusion, falsification, omission or false intentional representations.
- We obtain an understanding of the internal controls relevant to the audit to design auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls.
- We evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and the related disclosures made by the Administrator.
- We conclude on the appropriateness of Administrator's basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.



- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Administrator regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide to Administrator a statement that we fulfill the relevant ethical requirements, including the applicable independence requirements, and communicate all of the possible relations or matters that could considerably affect our independence, including, when applicable, the respective disclaimers.

Rio de Janeiro, May 10, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
Original report in Portuguese signed by
Marcelo Faria Pereira
Accountant CRC RJ-077911/O-2

FUNDO AMAZÔNIA
 (Administered by Banco Nacional de Desenvolvimento
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BALANCE SHEETS
 December 31, 2018 and 2017
 (In thousands of reais)

	Note	12/31/2018	12/31/2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,482,996	3,201,236
Prepaid expenses	5	90,094	82,846
Total assets		3,573,090	3,284,082
LIABILITIES AND SHAREHOLDER'S EQUITY			
CURRENT LIABILITIES			
Available project funds	6	3,482,996	3,201,229
Support funds	7	90,094	82,846
Other liabilities	8	-	7
SHAREHOLDER'S EQUITY			
Accumulated surplus/(deficit)		-	-
Total liabilities and net assets		3,573,090	3,284,082

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
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STATEMENT OF INCOME
 Years ended December 31, 2018 and 2017
 (In thousands of reais)

	Note	2018	2017
Income			
Income from donations to investments	6	187,214	223,761
Revenues from donations to support	7	960	1,119
Financial income	4	203,585	282,144
EXPENSES			
Expenses with donations to investments	6	(187,214)	(223,761)
Expenses with remuneration of available project funds	6	(203,585)	(282,144)
Administrative expenses	9	(960)	(1,119)
SURPLUS/(DEFICIT) FOR THE YEAR		-	-

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
December 31, 2018 and 2017
(In thousands of reais)

	Accumulated surplus/(deficit)
Balance at January 1st, 2017	-
Year 2017	-
Balance at December 31, 2017	-
Year 2018	-
Balance at December 31, 2018	-

See the accompanying notes to the financial statements.

FUNDO AMAZÔNIA
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STATEMENTS OF CASH FLOWS
 Years ended December 31, 2018 and 2017
 (In thousands of reais)

	Note	12/31/2018	12/31/2017
Cash flow from operating activities			
Funds received			
Funds received - Donations	6	273,604	273,089
Funds received - Retained (3%)	7	(8,208)	(8,193)
Funds invested in projects	6	(187,214)	(223,761)
Financial income	4	203,585	282,144
Other liabilities	8	(7)	7
(=) Net cash generated by operating activities		281,760	323,286
Cash and cash equivalents at the beginning of the year		3,201,236	2,877,950
Cash and cash equivalents at the end of year	4	3,482,996	3,201,236

See the accompanying notes to the financial statements.

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Notes to the financial statements
December 31, 2018 and 2017
(In thousands of reais)

1. CONTEXT OF ACTIVITIES

Fundo Amazônia was created by BNDES Resolution 1640, of September 3, 2008, and commenced its activities on October 9, 2009, engaged in raising donations to non-reimbursable investments in prevention, monitoring and combating against deforestation, and for encouraging conservation and sustainable use of forests in the Amazônia Legal biome, under Decree 6527/2008, amended by Decrees 6565/2008 and 8773/2016.

Fundo Amazônia supports projects in the following areas:

- Management of public forests and protected areas;
- Environmental control, monitoring and surveillance;
- Sustainable forest management;
- Economic activities developed on the basis of sustainable use of vegetation;
- Ecologic and economic zoning, land use planning and land tenure;
- Conservation and sustainable use of biodiversity; and
- Recovery of deforested areas.

The management and administration of Fundo Amazônia are responsibility of Banco Nacional do Desenvolvimento Econômico e Social - BNDES, where among others it is responsible for fundraising, contracting and monitoring projects and supported actions, as well as operating as a legal representative.

Fundo Amazônia has a Steering Committee - COFA, which is responsible for determining its guidelines and monitoring the obtained results. The members of this committee are not remunerated for the functions exercised, since their attributions are considered of public interest.

Fundo Amazônia has no legal personality, and its transactions are written up in specific accounts of BNDES.

2. BASIS OF PREPARATION

The financial statements have been prepared and are being presented in accordance with Brazilian accounting practices for nonprofit entities, according to Interpretation ITG 2002 (R1), approved by Resolution 1409, of September 21, 2012, issued by the Federal Accounting Council.

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Notes to the financial statements
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(In thousands of reais)

a) Measuring basis

The financial statements have been prepared on the basis of historical cost, except for investments, recorded as “Cash and cash equivalents” and measured at fair value through profit or loss.

b) Functional currency

The Administrator concluded that the Real is the functional currency of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents include high liquidity investments in two investments funds administered by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A. - BB DTVM, which have conservative investment portfolio with low risk of change in the market value of investments. Income from investments in BB DTVM is linked to the variation of the quota of invested funds, as described in Note 4.

3.2 Available projects funds

Refer to the balance of donations received and not yet allocated, including income from the investment of these resources.

According to Decree 6527/2008 and further amendments, 97% of the resources received are destined to projects. The amounts are recorded as liabilities, less the expenses incurred by each project, so that they do not result in increase or reduction of the shareholders' equity of the Fund, considering that the Fund is only the collecting and forwarding agent for execution of the projects.

3.3 Donations for support

Pursuant to §3 of article 1 of Decree 6527/08 and further amendments, the BNDES should segregate the amount equivalent to 3% of the value of donations to cover its operating costs and the expenses related to Fundo Amazônia. Income from costing related to 3% of the donations is accounted for as “Support funds”, and recognized according to the use of funds by the BNDES. The transfer of the 3% made by BNDES is presented as “Prepaid Expenses” and recorded as “Administrative Expenses” according to the use by the BNDES.

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Notes to the financial statements
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3.4 Statement of cash flows

The Fund opted for the direct method in the presentation of this statement. The funds received from projects were treated as operating activities, since the Fund operates as collecting and forwarding agent for these funds.

4. CASH AND CASH EQUIVALENTS

Composed as follows:

	12/31/2018	12/31/2017
Financial investment with the Administrator (*)	3,482,996	3,201,236
TOTAL	3,482,996	3,201,236

(*) The Administrator maintains the Fund's resources in the investment fund BB Gaia Fundo de Investimento Renda Fixa ("BB Gaia FIRF"), whose portfolio is concentrated on Brazilian government bonds, and in BB Gaia II Fundo de Investimento em Cotas de Fundo de Investimento Renda Fixa ("BB Gaia II FIC FIRF"), which concentrates at least 95% of its equity in quotas of BB Gaia FIRF. Both funds have daily liquidity clause.

Pursuant to Decree 6527/08 and further amendments, the percentage of 97% of the donations received is destined to projects. The Fund segregates these resources in specific investment account. The resources, while not allocated to projects, are invested by the BNDES in the aforementioned exclusive funds, administered and managed by BB DTVM, and remunerated based on the yield rate of each of them.

Additionally, the exclusive fund BB Gaia II FIC FIRF was created in compliance with Board Decision 832/2012, which established the accounting segregation of values obtained from Brazilian public sources, which cannot be destined to projects carried out by the Federal Government.

Until December 2018, the total financial income of the Fundo Amazônia applications since its inception totaled R\$ 1,252,419 (R \$ 1,048,834 until December 2017).

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Changes in cash and cash equivalents are as follow:

12/31/2018				
	Total	Project funds (Gaia FI)	Project funds (Gaia II FIC)	Support funds
Balance at January 1st, 2018	3,201,236	3,183,846	17,390	-
Income	203,585	202,468	1,117	-
Funds retained by BNDES (3%)	(8,208)	-	-	(8,208)
Funds to return	(7)	(7)	-	-
Transfer between funds	-	(4)	4	-
Funds released	(187,214)	(187,214)	-	-
Donations received	273,604	264,194	1,202	8,208
Norwegian Ministry of Foreign Affairs	272,365	264,194	-	8,171
KFW	-	-	-	-
Petrobras	1,239	-	1,202	37
Balance at December 31, 2018	3,482,996	3,463,283	19,713	-

12/31/2017				
	Total	Project funds (Gaia FI)	Project funds (Gaia II FIC)	Support funds
Balance at January 1st, 2017	2,877,950	2,863,777	14,173	-
Income	282,144	280,696	1,448	-
Funds retained by BNDES (3%)	(8,193)	-	-	(8,193)
Funds to return	7	7	-	-
Funds released	(223,761)	(223,761)	-	-
Donations received	273,089	263,127	1,769	8,193
Norwegian Ministry of Foreign Affairs	139,272	135,094	-	4,178
KFW	131,993	128,033	-	3,960
Petrobras	1,824	-	1,769	55
Balance at December 31, 2017	3,201,236	3,183,846	17,390	-

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5. PREPAID EXPENSES

The balance of prepaid expenses is comprised of the equivalent to 3% of the value of donations, retained by BNDES to cover operating costs of Fundo Amazônia, net of amounts recognized as “Administrative Expenses” at Fundo Amazônia according to the use by BNDES.

6. AVAILABLE PROJECTS FUNDS

The balance of project funds was received from the following donors: (i) Norwegian Ministry of Foreign Affairs, (ii) KFW and (iii) Petrobras, and are destined to specific projects and associated to the purpose of Fundo Amazônia.

Changes in the available project funds are as follows:

	12/31/2018	12/31/2017
Balance at the beginning of the year	3,201,229	2,877,950
Income	203,585	282,144
Funds released	(187,214)	(223,761)
Donations received (*)	265,396	264,896
Balance at the end of the year	3,482,996	3,201,229

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

The amount of R\$ 187,214 (2017: R\$ 223,761) is recorded in the statement of income as “Income from donations to investments” and “Expenses with donations to investments”, annulling each other because Fundo Amazônia is a nonprofit entity.

Since the beginning of its activities to December 31, 2018, Fundo da Amazônia received funds from the following donors:

Up to 12/31/2018			
Donor	Support funds 3%	Project funds 97%	Total 100%
Norwegian Ministry of Foreign Affairs	95,601	3,091,119	3,186,720
KFW	5,781	186,909	192,690
Petrobras	518	16,767	17,285
Total	101,900	3,294,795	3,396,695

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Up to 12/31/2017			
Donor	Support funds 3%	Project funds 97%	Total 100%
Norwegian Ministry of Foreign Affairs	87,430	2,826,925	2,914,355
KFW	5,781	186,909	192,690
Petrobras	481	15,565	16,046
Total	93,692	3,029,399	3,123,091

7. SUPPORT FUNDS

The balance of support funds refers to the portion of the donation (3%) retained by BNDES not yet recognized as "Income from donation". Income from donation is recognized according to the use of support funds by BNDES. As of December 31, 2018, the amount of R\$ 8,208 was allocated for support (2017: R\$ 8,193) referring to 3% of the total resources received from donations in the amount of R\$ 273,604 (R\$ 273,089 in 2017).

8. OTHER LIABILITIES

It refers to the amount of R\$ 7 for investment overpaid in the Fundo BB Gaia in 2017, which was returned to BNDES in 2018.

9. ADMINISTRATIVE EXPENSES

In the year ended December 31, 2018, the amount of R\$ 960 (2017: R\$ 1,119) was recognized as administrative expenses, where the most relevant ones are: publicity, travels and lodging, lecturers and events and audit services.

10. TAXES

Any tax liability resulting from operations in the ambit of Fundo Amazônia is responsibility of BNDES, since the Fund does not have its own legal personality, and its transactions are written up in specific bookkeeping accounts of BNDES.

FUNDO AMAZÔNIA

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Notes to the financial statements December 31, 2018 and 2017 (In thousands of reais)

Pis and Cofins

According to article 1 of Law 11828, of November 20, 2008, amend by Law 12810, of May 15, 2013, donations in cash received by public financial institutions controlled by the Federal Government and intended for actions to prevent, monitor, combat deforestation, including compensation programs for environmental services, and promoting conservation and sustainable use of Brazilian biomes are exempted from PIS-PASEP and from the Contribution for the Financing Social Security (COFINS).

Income and social contribution taxes

There is no income to be presented for taxation of income tax (IRPJ) and social contribution on net income (CSLL). The income from donation is recognized at the same time as the recognition of operating expenses with projects intended within the scope of Fundo Amazônia (as approved by inquiry 59 SRRF07/Disit, 08/06/2009, performed by BNDES to the Federal Revenue Department). The same occurred in relation to the financial income derived from investments in investment funds.

11. RELATED PARTY TRANSACTIONS

Fundo Amazônia has a relationship with BNDES, which is authorized to earmark the value of donations received in cash to non-reimbursable investments in prevention, monitoring, combating deforestation and promotion of conservation and sustainable use of the Amazon biome. The relationship mentioned refers to values corresponding to “cash and cash equivalents” (as mentioned in Note 4), which are held in bank accounts held by BNDES.

Additionally, BNDES holds an amount equivalent to 3% of the value of donations to cover its operating costs and the expenses related to Fundo Amazônia, see further explanations in note 5 “prepaid expenses”.

12. SHAREHOLDERS' EQUITY

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

13. RISK MANAGEMENT

On December 31, 2018 and 2017, the Fund does not present material credit, liquidity, market and operational risks, since it has very limited operations. The Fund has concentration of credit risk with its Administrator (invested funds) as shown in Note 4. The book values represent the Fund's credit risk amount.

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Notes to the financial statements
December 31, 2018 and 2017
(In thousands of reais)

EXECUTIVE BOARD:

Joaquim Vieira Ferreira Levy - Presidente

Eliane Aleixo Lustosa de Andrade

Henrique Bastos Rocha

Karla Bertocco Trindade

José Flávio Ramos

Denise Pavarina

Roberto Marucco

SUPERINTENDENT OF INTEGRITY DEPARTMENT, CONTROLLERSHIP AND RISK MANAGEMENT:

Carlos Frederico Rangel de Carvalho Silva

HEAD OF THE ACCOUNTING DEPARTMENT:

Alexandre Cordeiro de Andrade

Accountant - CRC-RJ 080694/O-0