

**INSTITUTO TERRA**

**FINANCIAL STATEMENTS FOR THE PERIODS ENDED AT  
DECEMBER 31, 2013 AND DECEMBER 31, 2012**

## **INSTITUTO TERRA**

### **FINANCIAL STATEMENTS FOR THE PERIODS ENDED AT DECEMBER 31, 2013 AND DECEMBER 31, 2012**

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors and Management  
Instituto Terra  
Aimorés, MG

We have examined the financial statements of Instituto Terra ("Entity"), which comprise the Balance Sheet as of December 31, 2013 and the respective Statements of Superavit (Deficit), of Changes in Net Equity, and of Cash Flow for the period ended on the mentioned date, as well as the summary of the main accounting practices and other explanatory notes.

### **Administrative responsibility for the Financial Statements**

The Entity's management is responsible for the financial statements elaboration and appropriate presentation, following accounting practices adopted in Brazil, and for internal controls defined as necessary for relevant-distortion-free financial statements elaboration, no matter whether distortion is caused by fraud or mistake.

### **Independent Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements, based on our audit, conducted according to international and Brazilian audit rules. Such rules imply that ethical requirements be fulfilled by the auditors, and that audit planning and execution aim at reasonably guaranteed relevant-distortion-free financial statements.

Audit involves selected procedures execution to obtain evidence regarding values and data disclosed in the financial statements. The selected procedures depend on the auditor's opinion, which includes the evaluation of relevant-distortion risks in the financial statements, no matter whether they are caused by fraud or mistake. In the process of risk evaluation, the auditor considers internal controls which are relevant for the elaboration and appropriate presentation of the Entity's financial statements, in order to decide which audit procedures are adequate for each circumstance, but not to express an opinion on the efficacy of such Entity's internal controls. Audit also includes evaluation of the suitability of the accounting practices which have been used, and the reasonability of management's accounting estimates, as well as evaluation of the financial statements presentation as a whole.

We believe the audit evidence which has been attained is sufficient and appropriate to substantiate our opinion.

## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors and Management  
Instituto Terra  
Aimorés, MG

### Opinion

In our opinion, in all relevant aspects, the above mentioned financial statements appropriately present Instituto Terra's financial and equity position as of December 31, 2013, the development of its operations and its cash flows for the period ended at that date, following accounting practices adopted in Brazil.

Aimorés, MG, March 28, 2014.



Wladimir Firme Zanotti  
Accountant CRC 1ES007326/O-5 "S" MG  
BAKER TILLY BRASIL-ES  
Independent Auditors  
CRC 2ES000289/O-5 "S" MG

## CHART 1

### INSTITUTO TERRA

#### BALANCE SHEET FOR THE ENDED PERIODS (In thousands of Reais)

<b>Asset</b>	<b>2013</b>	<b>2012</b>	<b>Liability</b>	<b>2013</b>	<b>2012</b>
<b>Current</b>			<b>Current</b>		
Cash and Cash Equivalents (note 4)	336	762	Social, labor and tax obligations	308	425
Amount invested in projects (note 6b)	2.660	2.071	Executable agreements (note 6b)	2.931	2.697
Other receivables	138	8	Other payables	17	19
Inventory	40	18		<u>3.256</u>	<u>3.140</u>
	<u>3.174</u>	<u>2.859</u>			
<b>Non-Current</b>			<b>Non-Current</b>		
Judicial deposits (note 7)	65	65	Donations and subventions	4	4
	<u>65</u>	<u>65</u>	Loans (note 8)	277	135
			Provision for Contingencies (note 7)	65	65
				<u>346</u>	<u>204</u>
<b>Fixed Asset</b>			<b>Equity</b>		
Property, Plant and Equipment (note 5)	2.445	2.627	Donations and subventions	2.301	2.301
Intangible	6	9	Accumulated Surplus (Deficit)	(213)	(85)
	<u>2.451</u>	<u>2.636</u>		<u>2.088</u>	<u>2.216</u>
<b>Total Assets</b>	<b><u>5.690</u></b>	<b><u>5.559</u></b>	<b>Total Liability and Equity</b>	<b><u>5.690</u></b>	<b><u>5.559</u></b>

The explanatory notes are integral part of financial statements.

## CHART 2

### INSTITUTO TERRA

#### STATEMENT OF SURPLUS (DEFICIT) FOR THE ENDED PERIODS (In thousands of Reais)

	<u>2013</u>	<u>2012</u>
<b>Operational Revenues</b>		
Donations	848	422
Conditional agreements	1.760	2.506
Others	648	318
	<u><b>3.256</b></u>	<u><b>3.246</b></u>
<b>Operational Revenues (expenses)</b>		
Operational		
Environmental recuperation	(1.256)	(1.398)
Nursery	(348)	(542)
Education and culture	(384)	(192)
Capture of funds used for projects	(149)	(109)
Environmental enlargement	(686)	(863)
Administrative	(362)	(362)
Depreciation	(197)	(219)
Net financial expenses	(2)	1
Other expenses	-	(65)
	<u><b>(3.384)</b></u>	<u><b>(3.748)</b></u>
<b>Deficit for the period</b>	<u><b>(128)</b></u>	<u><b>(502)</b></u>

The explanatory notes are integral part of financial statements

### CHART 3

#### INSTITUTO TERRA

#### STATEMENT OF CHANGES IN EQUITY

(In thousands of Reais)

	<u>Donations and subventions</u>	<u>Accumulated surplus (Deficit)</u>	<u>Total Equity</u>
<b>At December 31, 2011</b>	<u>2.301</u>	<u>417</u>	<u>2.718</u>
Deficit incorporated to equity	-	(502)	(502)
<b>At December 31, 2012</b>	<u>2.301</u>	<u>(85)</u>	<u>2.216</u>
Deficit incorporated to equity	-	(128)	(128)
<b>At December 31, 2013</b>	<u>2.301</u>	<u>(213)</u>	<u>2.088</u>

The explanatory notes are integral part of financial statements.

## CHART 4

### INSTITUTO TERRA

#### STATEMENT OF CASH FLOW FOR THE ENDED PERIODS (In thousands of Reais)

	<u>2013</u>	<u>2012</u>
<b>Operational Activities</b>		
Deficit for the period	(128)	(502)
Surplus (deficit) of items not affecting working capital:	197	288
Depreciation and Amortization	197	223
Provision for contingencies	-	65
Adjusted surplus (deficit)	<u>69</u>	<u>(214)</u>
Asset (surplus) deficit		
Amount invested in projects	(589)	(313)
Other receivables	(130)	38
Inventories	(22)	3
Judicial deposits	-	(65)
Liability surplus (deficit)		
Social, Labor Obligations	(116)	13
Executable agreements	234	444
Donations and Subventions	-	(4)
Other liabilities	(2)	(7)
Cash flow generated by Operational Activities	<u>(555)</u>	<u>(106)</u>
<b>Investment Activities</b>		
Acquisition of Fixed Asset	(13)	(126)
Cash Flow generated by Investment Activities	<u>(13)</u>	<u>(126)</u>
<b>Financial Activities</b>		
Loans	142	-
Cash Flow generated by Financial Activities	<u>142</u>	<u>-</u>
<b>Total Cash Flow generated by Activities</b>	<u>(426)</u>	<u>(232)</u>
Cash at beginning of the period	762	994
Cash at end of the period	<u>336</u>	<u>762</u>
Net cash surplus	<u>(426)</u>	<u>(232)</u>

The explanatory notes are integral part of financial statements.



## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)**

#### **1 OPERATIONAL CONTEXT**

Instituto Terra is a civil not-for-profit association, founded in 1998, headquartered at the Bulcão Farm, in Aimorés, State of Minas Gerais. The Farm has been leased to Instituto Terra - for an indefinite term, under a Private Lease Agreement, dated July 4, 2000 - by its owners, Mr. Sebastião Ribeiro Salgado Júnior and Mrs. Lélia Deluiz Wanick Salgado, the creators and lifelong founding partners of Instituto Terra. In August 2007, the owners decided to donate the property to Instituto Terra through a Deed of Donation with Charges.

The Bulcão Farm occupies an area of 676 hectares and has been recognized as a Private Natural Heritage Reserve (PNHR) by IEF/MG Ordinance 081, enacted in October 7, 1998, and is the first PNHR to have been created in a degraded area of the Brazilian Atlantic Forest. In December 17, 1999, Instituto Terra was declared to be a public utility by the Municipal Government of Aimorés, by way of Law 1,613/1999, exempting it from municipal taxes while pursuing its statutory objectives.

In 2009, Instituto Terra was given the title Advanced Post of Mata Atlantica Biosphere Reserve – the first MABR in Minas Gerais – proving that, continuously and measurably, it conducts significant actions under the three basic Biosphere Reserves functions: conservation, knowledge provision and sustainable development, according to the MAB UNESCO Program definition. It was also given the titles of State Public Interest, by the States of Minas Gerais (2005) and the State of Espirito Santo (2011), and the title of Federal Public Interest (2011).

The Bulcão Farm is managed by Instituto Terra for the purpose of fostering ecologically sustainable development by recovering and conserving forrests, and correctly using natural resources. Following this purpose, Instituto Terra has been operating in five areas: ecosystemical recovery, enviromental education, nursery, encouragement of sustainable rural development, and applied research.

In 2011, trading activities were created aiming at the economical-financial sustainability of Instituto Terra. They involved items such as commercialization of Atlantic forrest nursery and souvenirs.

## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)**

## **2 FINANCIAL STATEMENTS PRESENTATION**

The Financial Statements have been prepared following Accounting practices adopted in Brazil, specifically in what concerns NBC ITG 2002, which discusses not-for-profit Entities matters, and NBC ITG 1000, which refers to Accounting for small and medium sized Companies.

## **3 MAIN ACCOUNTING PRACTICES**

### **(a) Contributions and donations**

#### **(a.1) Unconditional contributions and donations**

Unconditional contributions and donations are those for which donator does not stipulate specific terms the entity should comply with. Such donations are recorded directly in the Statement of Income for the year.

#### **(a.2) Conditional donations**

Conditional donations are those for which donator stipulates specific terms the entity should comply with. Donations and respective applications are recorded in the Statement of Income upon fund donator formal confirmation that the Institute has performed the aforementioned obligations.

#### **(a.3) Equity contributions and donations**

Equity contributions and donations are those received exclusively for acquisition and/or building of fixed assets and are classified in the Fixed Asset and in the Equity (under "Donations and Subventions Fund").

### **(b) Recognition of surplus (deficit)**

Income and expenses are recognized on the accrual basis. Revenues donated for expenses are recognized in the statement of income upon receipt and are provided to pay for social activities conducted by the Institute.

## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)**

#### **(c) Critical Accounting estimates**

The preparation of Financial Statements in accordance with Accounting practices adopted in Brazil requires Management to use their opinion in determining and recording Accounting estimates. Significant assets and liabilities subject to estimates and assumptions include the residual value of fixed assets, and contingent risks. Settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. The Institute reviews the estimates and assumptions, at least, once a year.

#### **(d) Financial investment**

Financial investments are recorded at acquisition cost plus income accrued up to the balance sheet date.

#### **(e) Amounts invested in projects**

These are investments of conditional donations for projects which have not yet been submitted for approval by the donator.

#### **(f) Fixed Assets**

Recorded at the cost of acquisition, formation, or construction. Depreciation is calculated using the straight-line method at rates mentioned in Note 5, and it takes into account the estimated useful lives of the assets.

#### **(g) Executable agreements**

The balance of executable agreements refers to amounts conditioned to projects released by donators, but which had not yet been invested in the respective projects and/or had been invested but had not been submitted to the donator's approval, at balance sheet date.

#### **(h) Other current assets and liabilities**

They are presented at the realized amount and include monetary variations and earnings obtained, when applicable.

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)

#### (j) Inventories

Inventories are presented at cost value of goods acquired for sale and undergo periodic inventory. The products in the inventories are souvenirs and food.

#### 4 CASH AND CASH EQUIVALENTS

			2013	2012
	Cash and Banks	Interest- earning Bank Deposits	Total	Total
<b>Unconditional</b>	24	41	65	135
<b>Conditional</b>				
Fundo Nacional do Meio Ambiente – FNMA	-	-	-	2
Conselho Federal Gestor do Fundo de Defesa de Companhia Espírito Santense de Saneamento – CESAN	-	-	-	4
Fundo de Recursos Hídricos – Fundágua	-	11	11	21
Banco Nacional de Desenvolvimento Econômico e Social – BNDES	72	-	72	125
Ministério Público Federal	2	28	30	46
Energest S/A	-	2	2	9
Instituto Estadual de Florestas de Minas Gerais e Secretaria de Estado do Meio Ambiente e Desenvolvimento Sustentável – IEF/SEMAD (2011)	-	1	1	63
The Nature Conservancy - TNC	2	89	91	100
Prefeitura Municipal de Colatina – PMC Asceiro II	-	23	23	34
Vale do Rio Doce – Olhos D’água	-	17	17	223
Energest S/A II	-	13	13	-
Anne Fontaine Foundation	-	-	-	-
Prince Albert II Foundation	(1)	6	5	-
Prefeitura Municipal de Aimorés	-	6	6	-
Conditional Cash and Cash Equivalents Balance	75	196	271	627
General Cash and Cash Equivalents Balance	99	237	336	762

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)

The balance of conditional interest-earning bank deposits refers to funds to be invested strictly according to the respective agreements.

At December 31, 2013 and December 31, 2012, the Institute's interest-earning bank deposits referred to short-term fixed-income securities.

#### 5 FIXED ASSETS

	Annual Depreciation Rates - %	Cost	Accumulated Depreciation	2013 Net	2012 Net
Buildings	4	3.375	(1.213)	2.162	2.297
Own Facility Improvement	10	65	(3)	62	64
Machinery and Equipment	10	662	(498)	164	205
Furniture and Fixtures	10	265	(214)	51	61
Forrest Nursery	10	176	(176)	-	1
Vehicles	20	15	(9)	6	-
		<b>4.558</b>	<b>(2.113)</b>	<b>2.445</b>	<b>2.627</b>

#### 6 EXECUTABLE AGREEMENTS

These are amounts received from institutional agreements intended for investment in specific projects and expenses (conditional projects). Such amounts will be recognized against the surplus (deficit) for the year, according to the use of the funds, that is, upon project expenses effective incurrence, or upon accounts approval by the respective donators, when required.

**INSTITUTO TERRA**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012  
(In thousands of Reais)**

**(a) Changes in agreement funds**

	<b>Total of Agreement</b>	<b>Balance At 2012</b>	<b>Released Funds and earnings</b>	<b>Funds Used</b>	<b>Balance At 2013</b>
Samarco Mineração S/A	1.406	-	242	242	-
Fundo Nacional do Meio Ambiente – FNMA	497	2	-	2	-
Prefeitura Municipal de Aimorés	49	-	50	44	6
Prefeitura Municipal de Colatina	379	34	45	56	23
Conselho Federal Gestor do Fundo de Defesa de Direitos Difusos – CFDD	268	-	-	-	-
Companhia Espírito Santense de Saneamento – CESAN	102	4	-	4	-
Instituto Estadual de Meio Ambiente e Recursos Hídricos – IEMA	340	-	-	-	-
Fundo de Recursos Hídricos – Fundágua	100	21	1	11	11
Banco Nacional de Desenvolvimento Econômico e Social – BNDES	2.469	126	675	729	72
Ministério Público Federal	161	46	13	29	30
Energest S/A	60	9	-	7	2
Instituto Estadual de Florestas de Minas Gerais e Secretaria de Estado do Meio Ambiente e Desenvolvimento Sustentável - IEF/SEMAD (2011)	1.096	61	249	309	1
Vale do Rio Doce - Olhos D'água	1.950	223	430	636	17
The Nature Conservancy – TNC	500	100	106	115	91
Companhia Siderúrgica Nacional – CSN	180	-	-	-	-
Energest S/A II	52	-	53	40	13
Anne Fontaine Foundation	50	-	50	50	-
Prince Albert II of Monaco Foundation	210	-	125	120	5
	<b>9.869</b>	<b>626</b>	<b>2.039</b>	<b>2.394</b>	<b>271</b>

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)

#### (b) Reconciliation of Agreements Balance

	<u>2013</u>	<u>2012</u>
Balance of Agreements at December 31	271	626
<b>Social Projects in Course (i)</b>		
Illy Café	-	32
Fundo Nacional do Meio Ambiente – FNMA	119	119
Prefeitura Municipal de Aimorés	43	46
Prince Albert II of Monaco Foundation	120	-
Conselho Federal Gestor do Fundo de Defesa de Direitos Difusos - CFDD	273	273
Companhia Espírito Santense de Saneamento – CESAN	14	10
Instituto Estadual de Meio Ambiente e Recursos Hídricos –IEMA	-	342
Prefeitura Municipal de Colatina	21	45
Banco Nacional de Desenvolvimento Econômico e Social – BNDES	156	370
Fundo de Recursos Hídricos – Fundágua	93	82
Ministério Público Federal	145	116
Energest S/A	25	17
Instituto Estadual de Florestas de Minas Gerais e Secretaria de Estado do Meio Ambiente e Desenvolvimento Sustentável IEF/SEMAD (2011)	832	523
Companhia Siderúrgica Nacional – CSN	-	80
Sindicato das Indústrias de Oiará Região Centro Norte do Estado do Espírito Santo - SINDICER	15	16
Energest S/A II	13	-
Anne Fontaine Foundation	50	-
Vale do Rio Doce - Olhos D'água	637	-
The Nature Conservancy - TNC	104	-
	<u>2.660</u>	<u>2.071</u>
	<u>2.931</u>	<u>2.697</u>

(i) Amounts pending accounting, recorded under "Amounts invested in projects" (current assets).

(ii) Amount pending accounting, recorded under "Buildings" (fixed assets).

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)

#### (c) Appropriation of Funds Used

	<u>2013</u>	<u>2012</u>
Funds used in projects (note 6(a))	2.394	(2.747)
Appropriation of funds		
Revenue of agreements	1.760	2.506
Financial revenue of agreements	42	36
Revenue of amounts received in previous years (i)	(2.068)	(1.866)
Amounts invested in fixed assets building	-	-
Amounts invested in projects	<u>2.660</u>	<u>2.071</u>
	<u>2.394</u>	<u>2.747</u>

- (i) Amounts received in previous years, first recorded under "Executable Agreements", which are recognized in the surplus (deficit) of the year, upon approval of the respective accounts.

## 7 JUDICIAL DEPOSITS

Management handles all legal processes development, making provisions for eventual loss, in case their legal matters counselors consider it possible to come up to unfavourable results.

	<u>Judicial deposits</u>		<u>Provision for contingencies</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Management Contingencies (i)	65	65	65	65
	<u>65</u>	<u>65</u>	<u>65</u>	<u>65</u>

- (i) Refers to escrow deposit realized with the integer value of process number 0003402-14.2012.4.01.3813 in ordinary lawsuit brought by Instituto Terra against the Federal Union, aiming at the stay of collection of funds received from Fundo Nacional do Meio Ambiente (FNMA), following Instituto Terra disagreement from the FNMA account rendering related to Agreement number 95/2006. The Instituto's legal advisors have classified the probability of having loss as probable, so provision has been constituted.



## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)**

#### **8 LOANS**

This item refers to the total amount of R\$ 277, borrowed from Krenak Empreendimentos Artísticos Ltda, an entity that usually lends funds to Instituto Terra, at terms not specifically stipulated.

The amounts have been used for expenses related to the Entity's social objectives, in permanent projects which have not achieved sponsorship for recent years.

#### **9 FISCAL ASPECTS**

Instituto Terra, a not-for-profit association, is exempt from income taxes and social contributions, by way of section 195, paragraph 7, of the Federal Constitution.

Exempted institutions are obliged to fulfill certain legal requirements, which have been determined by the National Tax Code (Law 5,172/1966), section 14 as follows:

"Sect. 14. The content of section c subsection IV paragraph 9 is subject to the fulfillment of the following requirements by the entities referred in it:

I – not to distribute any of its equity or profits, on any ground (Text implemented by Law C 104, of January 10, 2001);

II – to invest all its funds within the Brazilian territory to maintain its institutional objectives;

III – to keep full records of incomes and expenses in order to promote transparency of its activities."

Instituto Terra has been following all legal requirements for usufruct of income tax and social contribution exemptions. In 2013, the benefit for fitting the law was approximately R\$ 354 (R\$ 353 in 2012) referring to income tax and social contribution.

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## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (In thousands of Reais)**

The Instituto Terra Board of Directors is comprised of the following members:

Lélia Deluiz Wanick Salgado	Chairwoman
Sebastião Ribeiro Salgado Júnior	Deputy Chairman
José Armando de Figueiredo Campos	Director
Robson de Almeida Melo e Silva	Director
Paulo Henrique Wanick Mattos	Director
Carlos Alberto Lessa	Director
Mauro Leite Teixeira	Director
Antonio Carlos Lopes Simas	Director
Tomaz Benedito de Souza	Secretary General
Henrique Lobo Gonçalves	Director
Luiz Carlos Cardoso Vale	Director