



Fundação para o Desenvolvimento Científico e
Tecnológico em Saúde – FIOTEC

Interim accounting information
Period ended on December 31, 2019 and 2018



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INDEPENDENT AUDITORS' REPORT ON THE ACCOUNTING STATEMENTS

To the
Directors of the
Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC

Qualified Opinion

We have audited the financial statements of **Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC**, which are comprised of the statement of financial position as of December 31, 2019 and the income statements, comprehensive income, changes in equity and cash flows for the year ended on that date, as well as the corresponding explanatory notes, including a summary of the main accounting practices.

In our opinion, except for the possible effects of the subject matters described in the topic "basis for a qualified opinion", the accounting statements referred to above present fairly, in all material respects, the financial position of the **Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC** as of December 31, 2019, the performance of its operations and its cash flows for the year ended on this date, in accordance with accounting practices adopted in Brazil.

Basis for qualified opinion with reservation Linked projects to execute

The accounts "*other credits - resources from closed projects*", "*other credits - other credits*" and "*other obligations - resources from closed projects*", according to notes 9 and 22, present, respectively, balances of R\$ 5,449,000, R \$ 5,850,000 and R\$ 11,273,000, transferred from the projects to be executed account, mentioned in note 20. They represent project balances identified as closed and/or remaining from the change in the computerized system, which occurred in 2009. The analysis of the balances of these projects is still being carried out. Possible adjustments to be made to the Foundation's financial statements depend on the completion of these works.

Bank checking account by project

The funds received from smaller financial projects, prior to 2019, are still being used in a single bank account, despite the accounting rules recommending the need to use a specific bank account for each project. Administrative measures for opening individual accounts for all new projects, regardless of contractual value, were implemented in 2019, as per note 20.



Our audit was conducted in accordance with Brazilian and International Standards on Auditing. Our responsibilities, in accordance with these standards, are described in the following section entitled "Auditor's responsibility for auditing the financial statements". We are independent in relation to the **Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC**, in accordance with the relevant ethical principles set out in the Accountant's Professional Code of Ethics and in the professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities according to standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis

Working capital deficiency

On December 31, 2019, the Foundation determined a surplus in its income statement, in the amount of R\$ 6,458,000 (R \$ 2,337,000 in 2018), as a result of operational and administrative measures implemented by its management, from new sources revenue and, mainly, due to the effects of granting the Foundation's tax immunity (INSS and PIS), in a final and unappealable lawsuit, according to notes 19 and 29. However, it still has a working capital deficiency. Our opinion is not qualified as a result of this matter.

Provisions for contingencies

As of 2019, the Foundation implemented administrative measures to define contingent responsibilities in the execution of its projects. Thus, according to note 20, the accounting records of the amounts of the provisions for contingencies, considered as probable losses by its legal advisors, are being made directly in the projects that gave rise to them.

Other Matters

Statement of Value Added (DVA)

The Statement of Value Added (DVA) for the year ended December 31, 2019, prepared under the responsibility of Management and presented as supplementary information, was submitted to the same audit procedures performed in conjunction with the audit of the financial statements. To form our opinion, we assessed whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added" . In our opinion, this statement of added value was properly prepared, in all material respects, according to the criteria defined in this Technical Pronouncement and is consistent with the financial statements taken as a whole.



Project management

The audit procedures we applied on the balances involving projects managed by the Foundation, did not aim to evaluate management aspects, such as: budgets, deadlines, achievement of objectives and accountability. They were carried out with the objective of evaluating the internal accounting controls exercised on receipts, payments, administration fees and movement of bank current accounts of the projects.

Audit of amounts corresponding to the previous year

The amounts corresponding to the year ended on December 31, 2018, presented for comparison purposes, were audited by us, with a report dated February 28, 2019, highlighting the same reservations mentioned in the topic “Basis for opinion with reservation”, as well as an emphasis on working capital deficiency.

Management and governance's responsibility for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil and the internal controls that it has determined to be necessary to enable financial statements to be prepared free of material misstatement, whether caused by fraud or error.

In the preparation of the financial statements, management is responsible for assessing the Company's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statements unless management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid closing operations.

Those responsible for the governance of the Company are those responsible for supervising the process of preparing the financial statements.

Auditor's responsibility for auditing the financial statements

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit carried out in accordance with Brazilian and international auditing standards always detects relevant existing distortions. The distortions can be due to fraud or error and are considered relevant when, individually or jointly, they can influence, within a reasonable perspective, the economic decisions of users made based on said financial statements.



As part of an audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment, and maintain professional skepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, plan and perform audit procedures in response to such risks, and obtain sufficient and appropriate audit evidence to support our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, since fraud may involve circumventing internal controls, collusion, forgery, omission or intentional misrepresentation.
- We gain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate in the circumstances, but not with the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- We evaluated the appropriateness of accounting principles used and the reasonableness of accounting estimates and respective disclosures made by management.
- We concluded on the adequacy of the use, by management, of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is significant uncertainty in relation to events or circumstances that may cause significant doubt in relation to the Company's ability to continue operating. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to no longer remain in business continuity.
- We evaluate the general presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the corresponding transactions and events in a manner consistent with the purpose of proper presentation.

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

Rio de Janeiro, February 28, 2020
WH Auditores Independentes
CRC-RJ 000319-0-8 – CNPJ 42.465.302/0001-85



GILSON MIGUEL DE BESSA MENEZES
CRC-RJ 017.511/0-9 T SP

Fundação para o desenvolvimento científico e tecnológico em saúde – Fiotec

Balance Sheets

as at December 31, 2019 to December 31, 2018

(in thousands of Reais)

Assets	Notes	12/31/2019	12/31/2018	Liabilities	Notes	12/31/2019	12/31/2018
Current assets				Current liabilities			
Cash and cash equivalents	5	353,499	314,241	Suppliers	14	9,602	7.218
Accounts receivable from customers	6	31,086	60,571	Liabilities	15	42,579	-
Advance to suppliers	7	17,813	15,920	Payroll	16	8,591	10.463
Advance to employees	8	662	315	Tax obligations	17	2,198	2.789
Other receivables	9	47,559	327	Installments and financing	18	258	125
				Provisions for contingencies	19	32,935	22.407
				Linked Projects to be performed	20	351,829	339.999
				Other Provisions	21	20,206	21.375
		<u>450,619</u>	<u>391,374</u>			<u>468,198</u>	<u>404,376</u>
Non-current Assets				Non-current Liabilities			
Loans granted	10	13,209	5,254	Installments and financing	18	1,008	1.085
Judicial Deposits	11	6,174	53,035	Provisions for contingencies	19	3,462	49.355
Other receivables	9	11,873	11,722	Other liabilities	22	11,273	16.192
Property, Plant and Equipment	12	18,043	19,020			<u>15,743</u>	<u>66.632</u>
Intangible Assets	13	121	243	Shareholders' Equity			
				Owners' equity	24	6,000	6.000
				Accumulated surplus		10,098	3.640
		<u>49,420</u>	<u>89,274</u>			<u>16,098</u>	<u>9.640</u>
Total assets		<u>500,039</u>	<u>480,648</u>	Total liabilities and shareholders' equity		<u>500,039</u>	<u>480,648</u>

The notes are an integral part of the financial statements

