



FUNDAÇÃO PARA O DESENVOLVIMENTO
CIENTÍFICO E TECNOLÓGICO EM SAÚDE

Fundação para o Desenvolvimento Científico e
Tecnológico em Saúde - FIOTEC

Financial statements
as of December 31, 2018 and 2017



FUNDAÇÃO PARA O DESENVOLVIMENTO
CIENTÍFICO E TECNOLÓGICO EM SAÚDE

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Independent Auditors' Report on The Financial Statements

To

Officers of

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 comprise the balance sheet as of December 31, 2018, and the respective statements of income, changes in equity and cash flows for the fiscal year ended on that date, as well as the corresponding explanatory notes, including the summary of the significant accounting practices.

In our opinion, except for the possible effects of the matters discussed in the topic "basis for a qualified opinion", the financial statements referred to above present fairly, in all material respects, the financial and equity position of Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC on December 31, 2018, the performance of its operations and its cash flows for the year ended on that date, in accordance with the accounting practices adopted in Brazil.

Basis for a qualified opinion

Linked projects to be executed

The projects identified as already concluded and that comprised the amount of the projects to be executed account on December 31, 2018, mentioned in note 19, had their balances transferred to the other receivables account, in the amount of BRL 4,639 thousand and to the other obligations account, in the amount of BRL 11,553 thousand, according to notes 9 and 21, respectively. The analyzes of the balances of these projects have not yet been completed. Possible adjustments to be made to the financial statements of the Foundation depend on the completion of the analysis work.

Bank checking account per project

According to note 19, the Foundation gathers in a single bank account the funds received from projects of smaller financial size, so as not to cause an impact on the costs of these projects, despite the accounting standards recommend the need for use of bank accounts specific to each project. From January 2019, according to note 34, the Foundation implemented control measures to ensure that all projects have individual bank checking accounts, regardless of contractual value, including projects prior to 2019 that were being transacted in a single account.

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Our audit was conducted in accordance with the Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section, referred to as "Responsibility of the auditor for the audit of the financial statements". We are independent regarding Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC, in accordance with the relevant ethical principles provided for in the Code of Professional Ethics of the Accountant and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities in accordance with such standards. We believe that the audit evidence obtained is sufficient and appropriate for basing our opinion.

Emphasis

Operational continuity

The Foundation has been undergoing working capital deficiencies in recent years. However, as a result of the operational and administrative measures implemented by its management, at the end of 2018 a positive income for the year of BRL 2,337 thousand was calculated, interrupting the operating deficits accumulated in the last periods. The expectation of new contracts, sources of income and preliminary recognition of tax immunity, according to note 34, will also have a direct positive impact on the cash flow and income of the Foundation, starting from 2019. Our opinion is not qualified as a result of this matter.

Other Matters

Project management

The auditing procedures applied by us to the balances involving projects managed by the Foundation were not intended to evaluate management aspects such as budgets, terms, achievement of goals and accountability. They were carried out for the purpose of evaluating the internal accounting controls exercised on receipts, payments and checking account transactions of the projects.

Audit of the amounts corresponding to the previous year

The financial statements of Fundação para o Desenvolvimento Científico e Tecnológico em Saúde - FIOTEC for the fiscal year ended December 31, 2017 were audited by another independent auditor, who issued a report dated April 16, 2018, with a change of opinion regarding: i) pending analysis of balances of loans granted to Fiocruz's projects with its own funds; and ii) pending analysis of the outflows from the projects to be executed account. The operational continuity of the Foundation was also emphasized.

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Management's and administration's responsibilities for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in compliance with the accounting practices adopted in Brazil and for the internal controls established by it as needed to allow the preparation of financial statements free from material misstatements, whether resulting from fraud or error.

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

The people in charge of the governance of the Company are those with responsibility for overseeing the process of preparation of the financial statements.

Responsibility of the auditor for the audit of the financial statements

Our goals are to obtain reasonable assurance that the financial statements, taken as a whole, are free from relevant misstatement, whether caused by fraud or error, and issue an audit report with our opinion. Reasonable assurance is a high level of security, but not an assurance that the audit performed in accordance with the Brazilian and international audit standards will always detect any relevant existing misstatement. Misstatements can be caused as a result of fraud or error and are considered relevant when, individually or jointly, may influence, in a reasonable perspective, the economic decisions of users taken based on the mentioned financial statements.

As part of the audit carried out in accordance with Brazilian and international audit standards, we exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- We identified and assessed the risks of relevant misstatement in the financial statements, whether caused by fraud or error, planned and executed audit procedures in response to such risks and obtained appropriate and sufficient audit evidence on which to base our opinion. The risk of not detecting relevant misstatements caused by fraud is greater than that from error, since the fraud may involve the act of circumventing internal controls, collusion, falsification, omission or intentional misrepresentations.

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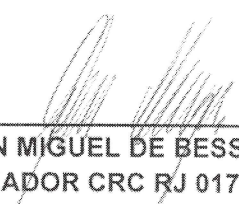
- We understood internal controls relevant to the audit to plan audit procedures suitable to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- We assessed the appropriateness of the accounting practices used and the reasonableness of the accounting estimates and respective disclosures made by the Management.
- We concluded on the appropriateness of the use, by the Management, of the accounting basis of operational continuity and, based on the audit evidence obtained, whether there is a relevant uncertainty about events or conditions that may raise significant doubt regarding the Company's operational continuity capability. Our findings are based on the audit evidence obtained up to the date of our report. However, future events or conditions may lead the Company to no longer keep in business continuity.
- We evaluated the overall presentation, the structure and the content of the financial statements, including the disclosures and whether the financial statements represent the corresponding transactions and events in a manner compatible with the purpose of fair presentation.

We communicated with the people responsible for governance concerning, among other aspects, the planned scope, the time of the audit, and the significant audit findings, including any significant shortcomings in internal controls that we identified during our work.

Rio de Janeiro, February 28, 2019.

WH AUDITORES INDEPENDENTES

CRC-SP 000319-O-8 - Brazilian Registry of Legal Entities (CNPJ) No. 42.465.302/0001-85



GILSON MIGUEL DE BESSA MENEZES
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FUNDAÇÃO PARA O DESENVOLVIMENTO
CIENTÍFICO E TECNOLÓGICO EM SAÚDE

Fundação para o desenvolvimento científico e tecnológico em saúde - Fiotec

Balance sheets

as of December 31, 2018 and December 31, 2017

(In thousands of Brazilian Reais)

Assets	Notes	12/31/2018	12/31/2017	Liabilities	Notes	12/31/2018	12/31/2017
Current assets				Current liabilities			
Cash and cash equivalents	5	314,241	307,413	Suppliers	14	7,218	6,152
Trade accounts receivable	6	60,571	14,293	Social and labor obligations	15	10,463	10,694
Advances to suppliers	7	15,920	18,674	Tax obligations	16	2,789	2,535
Credits to employees	8	315	698	Installment payments and financing	17	125	242
Other receivables	9	327	195	Provisions for contingencies	18	22,407	11,872
				Linked projects to be executed	19	339,999	319,544
				Other provisions	20	21,375	15,760
		<u>391,374</u>	<u>341,273</u>			<u>404,376</u>	<u>366,799</u>
				Non-Current Liabilities			
				Installment payments and financing	17	1,085	-
				Provisions for contingencies	18	49,355	30,285
				Other obligations payable	21	16,192	-
Non-current assets							
Loans granted	10	5,254	4,697			<u>66,632</u>	<u>30,285</u>
Escrow deposits	11	53,035	34,328				
Other receivables	9	11,722	3,663				
Property, plant and equipment	12	19,020	20,064	Shareholders' equity			
Intangible assets	13	243	362	Shareholders' Equity	23	6,000	6,000
				Accumulated Surplus		<u>3,640</u>	<u>1,303</u>
		<u>89,274</u>	<u>63,114</u>			<u>9,640</u>	<u>7,303</u>
Total assets		<u>480,648</u>	<u>404,387</u>	Total liabilities and shareholders' equity		<u>480,648</u>	<u>404,387</u>

The explanatory notes are an integral part of the financial statements.



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CIENTÍFICO E TECNOLÓGICO EM SAÚDE

Fundação para o desenvolvimento científico e tecnológico em saúde - Fiotec

Income statements

Fiscal years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	Notes	12/31/2018	12/31/2017
Operating revenues			
Net revenue from contracts		37,054	27,556
Net revenue from agreements		119	616
Total revenue from activities	25	37,173	28,172
Volunteer Work	30	751	729
Total operating revenues		37,924	28,901
Operating expenses			
Overhead expenses	26	(5,653)	(9,495)
Personnel expenses	27	(28,749)	(34,893)
Volunteer Work	30	(751)	(729)
Other operating income (expenses)	28	(1,604)	(1,515)
Total operating expenses		(36,757)	(46,632)
Income before financial income		1,167	(17,731)
Financial income	29	1,170	4,788
Surplus/(Deficit) for the year		2,337	(12,943)

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Fundação para o desenvolvimento científico e tecnológico em saúde - Fiotec

Comprehensive income statements

as of December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	12/31/2018	12/31/2017
Surplus/(Deficit) for the year	2,337	(12,943)
Other comprehensive income	-	-
Total comprehensive income	<u>2,337</u>	<u>(12,943)</u>

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Fundação para o desenvolvimento científico e tecnológico em saúde - Fiotec

Statement of changes in equity

Fiscal years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	Shareholders' equity	Accumulated surplus	Total
Balances as of January 01, 2017	6,000	14,246	20,246
Deficit for the year		(12,943)	(12,943)
Balances as of December 31, 2017	6,000	1,303	7,303
Surplus for the year	-	2,337	2,337
Balances as of December 31, 2018	6,000	3,640	9,640

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Fundação para o desenvolvimento científico e tecnológico em saúde - Fiotec

Cash flow statements

Fiscal years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	12/31/2018	12/31/2017
Cash flow from operating activities		
Income for the year	2,337	(12,943)
Adjustments for:		
Depreciation and amortization	1,390	1,373
Change in assets and liabilities		
(Increase)/decrease in assets in		
Accounts receivable	(46,278)	26,104
Credits to employees	383	23
Advances to suppliers	2,754	(12,920)
Other receivables	(8,191)	2,221
Loans granted	(557)	2,820
Judicial Deposits	(18,707)	(19,241)
Increase/(decrease) in liabilities in		
Linked projects to be executed	20,455	(36,958)
Suppliers	1,066	3,175
Social and labor obligations	(231)	4,831
Tax obligations	254	(498)
Provisions for contingencies	29,605	24,289
Other obligations payable	16,192	-
Other provisions	5,615	505
Cash flow from (used in) operating activities	<u>6,087</u>	<u>(17,219)</u>
Cash flow from investing activities		
Acquisition of property, plant and equipment	(302)	(393)
Write-off of property, plant and equipment	75	9
Cash flow from investing activities	<u>(227)</u>	<u>(384)</u>
Cash flow from financing activities		
Installment payments and financing	968	(546)
Cash flow from financing activities	<u>968</u>	<u>(546)</u>
Increase (decrease) in cash and cash equivalents	<u>6,828</u>	<u>(18,149)</u>
Net change in cash and cash equivalents		
Cash and cash equivalents at the beginning of the fiscal year	307,413	325,562
Cash and cash equivalents at the end of the fiscal year	<u>314,241</u>	<u>307,413</u>
	<u>6,828</u>	<u>(18,149)</u>

The explanatory notes are an integral part of the financial statements.



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Fundação para o desenvolvimento científico e tecnológico em saúde - Fiotec

Statement of added values

Fiscal years ended December 31, 2018 and 2017

(In thousands of Brazilian Reais)

	2018	2017
REVENUES		
Revenue from activities	37,173	27,193
Other revenues	8,478	2,627
Inputs acquired from third parties		
(-) Third-party services	(3,762)	(6,110)
(-) Materials, Energy and others	(1,817)	(1,825)
(-) Other operating costs and expenses	(8,692)	(3,297)
Gross Value Added	31,380	18,588
(-) Depreciation, amortization and depletion	(1,390)	(1,373)
Net Added Value generated by the Institution	29,990	17,215
(+) Financial Revenues	1,892	5,217
Total Added Value to be distributed	31,882	22,432
ALLOCATION OF ADDED VALUE		
Work compensation (Personnel, charges and benefits)	28,657	34,775
Expenses with Third-Party Staff / interns / contractors	92	118
Taxes, Fees, and Contributions	74	53
Third-Party Capital		
Financial Expenses	722	429
Surplus/(Deficit) for the year	2,337	(12,943)
TOTAL OF THE AMOUNT ALLOCATED OR DISTRIBUTED	31,882	22,432

The explanatory notes are an integral part of the financial statements.



FUNDAÇÃO PARA O DESENVOLVIMENTO
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Financial statements as of 12/31/2018 and 2017

Explanatory notes to the financial statements

(In thousands of Brazilian Reais)

1 Operational context

Fundação Para o Desenvolvimento Científico e Tecnológico em Saúde - Fiotec is based at Av. Brasil nº 4036, Manguinhos, enrolled in the Brazilian Registry of Legal Entities (CNPJ-ME) No. 02.385.669/0001-74, State Registration No. 77.469.770, City Registration No. 242.022-8, is a non-for-profit private limited company enrolled in the Civil Registry de Titles and Documents - RCPJ.

In order to operate as a support foundation, Fiotec is duly registered and accredited by the Ministry of Education (MEC) and the Ministry of Science, Technology and Innovation (MCTI). The institution also has the Public Utility Declaratory title of the Government of the State of Rio de Janeiro and the Social Organization (OS) title by the City Council of Rio de Janeiro. According to Act. 8,010/90, Fiotec is authorized by the National Council for Scientific and Technological Development (CNPq) to import goods for scientific and technological research.

In the years from 2014 to 2016 (fiscal years from 2013 to 2015), the institution was certified as a Citizen Company by the Regional Accounting Council (CRC-RJ), in partnership with the Federation of Industries of the State of Rio de Janeiro (Firjan) and the Federation of Commerce of the State of Rio de Janeiro (Fecomércio). Fiotec is certified by the D&B group, and it is considered one of the largest credit risk analysis and financial assessment companies in the United States of America (USA) and has the DUNS Number (Data Universal Numbering System). The number is internationally recognized as a common identifier of companies with EDI (Electronic Data Interchange) and in international trade transactions. Only with this number, it is possible to obtain registration in the SAM (System for Award Management), which governs all contracts entered into with U.S. federal agencies.

The Foundation was successful in implementing measures to reduce its staff, adjust its policy of benefits granted and efforts made to renegotiate contracts, reaching the expected surplus in the fiscal year of 2018.

- **Mission**

To participate in the scientific, technological and health innovation development, through the shared management of programs and projects, for the quality of life of society.



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- Vision

To be recognized by 2021 by the coordinators, as a reference institution in the management of programs and projects, through the best governance practices, and be a reason of pride for our employees.

- Amounts

- We respect life, human dignity and the environment;
- We value people and encourage proactivity;
- We encourage an integrated, participatory, collaborative and innovative environment;
- We believe in the strength of our work to carry out our actions with excellence;
- We act ethically and transparently in organizational processes;
- Our institutional relationship is based on respect for diversity, trust, cordiality and responsible attitude.

- Expertise

Fiotec works in the logistical and administrative support and financial management of projects exclusively by Fiocruz, in fields such as Health, Research, Education and Extension, Innovation Incentive, Scientific and Technological Development and Institutional Development.

The relationship between Fiocruz and Fiotec is regulated by the third Agreement entered into between the institutions (No. 185/2016). Through the document, it is determined that the development of the projects and programs are in compliance with the institutional mission of Fiotec and that they have been previously approved by Fiocruz. With transparency and a qualified team, Fiotec dedicates itself every day to provide the service with the necessary efficiency to offer customized management of projects.

- Administrative structure

- a) Board of Trustees

A body of deliberation and superior guidance of Fiotec. The members are appointed by the President of Fiocruz and, mandatorily, approved by its Decision-Making Board. This body is responsible for approving and appointing the members of the Executive Board.



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b) Supervisory Board

A supervisory body for the economic and financial management of Fiotec. Annually, they submit to the Board of Trustees the annual report, the annual balance sheet and other financial statements, duly audited. In 2012 they began to evaluate the balance sheet on a quarterly basis. They are also appointed by the Presidency and approved by Fiocruz's Decision-Making Board.

c) Executive Board

The members of the Executive Board are appointed by the Board of Trustees and approved by the Decision-Making Board. It is responsible for guiding and monitoring the administrative and financial activities of Fiotec, the strategic development of the institution with the implementation of new administrative and political actions and mediating the relationship between Fiotec and Fiocruz.

• Operating structure

With the commitment to provide a high-quality service, Fiotec ended December 31, 2018 with 243 (two hundred and forty-three) employees hired under the rules of the Consolidation of Labor Laws (CLT), 3 (three) interns, 20 (twenty) young apprentices, a total of 266 (two hundred and sixty-six) employees, distributed at headquarters. In addition, Fiotec has 914 (nine hundred and fourteen) employees hired under the rules of Consolidation of Labor Laws (CLT) and 4 (four) interns who work directly in Fiocruz's projects.

• The organizational structure

The organizational structure is divided into seven management bodies and two advisory services:

a. Legal Advisory Services

An area responsible for legal advice, opinions and interpretation of laws, analysis of contracts, civil and labor questions.

b. Press Office

An area that has as functions the dissemination of information and structuring of actions for the dissemination of Fiotec to the internal and external audience; update of internal and external communication tools; assistance and production of various institutional contents.



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c. Project Management

An area that is responsible for project management in all phases and the dialogue between the project coordination, the other areas of Fiotec and the financing agents.

d. Social Health Organization

An area that has as functions the execution, physical and financial monitoring and accountability of the projects that make up the Management Contract, according to the rules of execution of the financing agent and the policies in force. Detailed presentation of all financial execution and results of indicators and goals established in the Management Agreement.

e. People Management

Responsible for the organization, planning and execution of all work and activities related to the strategic people management, labor routines and worker's health, both within Fiotec's headquarters and the professionals assigned to the projects.

f. Quality Management

Control and guarantee the quality in the processes and services provided by the Fiotec team; perform assurance and support activities to the Quality Management System and the area; record keeping and continuous improvement; administrative support activities; mapping, revisions, improvements and support in processes; dissemination, communication and provision of manuals of procedures and processes. The implementation and monitoring of the institutional transparency actions and the revalidation of the titles and certifications necessary for the operation of Fiotec.

g. Logistics Management

Logistics has the following functions: management of procurement activities and national and international service contracting, procurement follow-up, item and supplier registration, contract management, bidding processes, social services and archiving.

h. Administration, Financial and Accounting Management

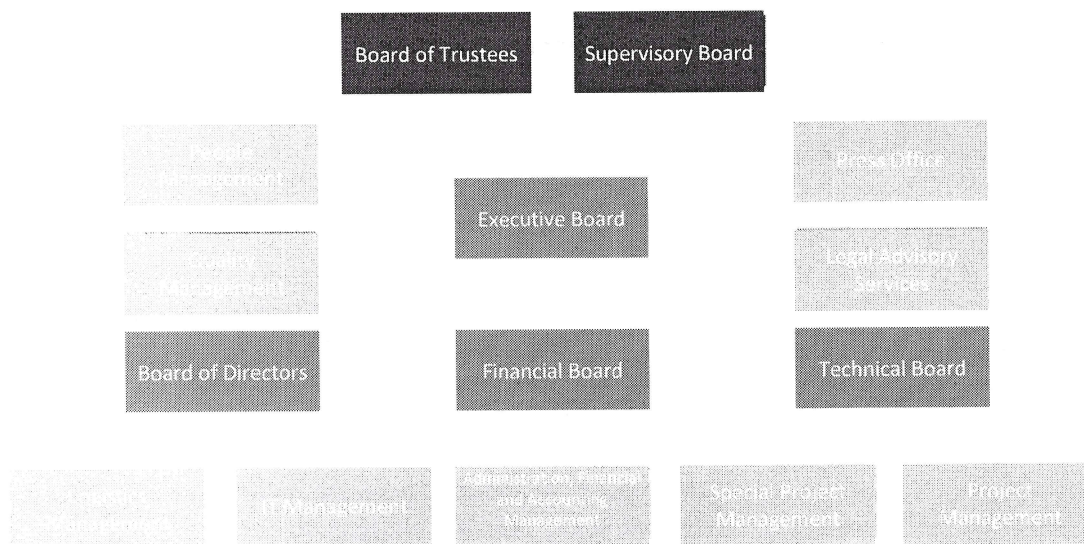
Because it is the area that holds all the financial and accounting information of the organization, its function is to identify, plan, organize, control and manage all risks and costs.



(In thousands of Brazilian Reais)

It is responsible for managing information-related assets and services.

Organograma



2 Basis of preparation

a. Declaration of conformity

The financial statements were prepared in accordance with the accounting practices adopted in Brazil, based on the provisions contained in ITG 2002 - Non-Profit Entities and also in NBC TG 1000 - Accounting for small and medium enterprises for aspects not addressed by ITG 2002 - Non-Profit Entities.

The issuance of the financial statements was approved by the Board of Directors and Financial Board on February 28, 2019.

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b. Basis of measurement

The financial statements were prepared based on historical cost as a value basis, except for non-derivative financial instruments designated at fair value through profit or loss, measured at fair value.

c. Functional currency and presentation currency

These financial statements are stated in Brazilian Real, which is the Foundation's functional currency and also its presentation currency.

d. Use of estimates and judgments

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires that the Management makes judgments, estimates, and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, revenues and expenses. The actual results may differ from such estimates.

Estimates and premises are continuously revised. Accounting estimate reviews are recognized in the year in which the estimates are reviewed and in any affected future years.

The information on critical judgments regarding the accounting policies adopted that have effects on the amounts recognized in the financial statements are included in the following explanatory note:

- Explanatory Note No. 3d (ii) - Useful lives of property, plant and equipment
- Explanatory Note No. 3e

3 Significant accounting policies

The accounting policies detailed below have been consistently applied to every period presented in these financial statements.

a. Foreign currency

Transactions in foreign currency, which for purposes of these financial statements are those that are not realized in local currency (Brazilian Reais), are translated at the exchange rate of the dates of each transaction.



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(In thousands of Brazilian Reais)

Monetary assets and liabilities denominated in foreign currency are translated to Brazilian Reais at the exchange rate of the closing date. Gains and losses on changes in exchange rates on monetary assets and liabilities are recognized in the income statement. Non-monetary assets and liabilities acquired or contracted in foreign currency are converted based on the exchange rates of the transaction dates.

b. Financial instruments

(i) Non-derivative financial assets

The Foundation recognizes receivables and deposits initially on the date on which they were originated. All other financial assets and liabilities are initially recognized at the date of negotiation in which the Foundation becomes a party to the contractual provisions of the instrument.

The Foundation has its non-derivative financial assets and liabilities recorded at fair value through profit or loss.

Financial assets recorded at fair value through the profit or loss

A financial asset is classified at fair value through the profit or loss if it is classified as held for trading, i.e. designated as such on the initial recognition. The financial assets are designated at fair value through the profit or loss if the Foundation manages such investments and makes decisions to buy and sell based on their fair values according to the documented risk management and investment strategy of the Foundation. The transaction costs, after initial recognition, are recognized in the profit or loss as incurred. Financial assets recorded at fair value through the profit or loss are measured at fair value, and changes in fair value of these assets are recognized in the income for the year.

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments, which are not quoted in an active market. Such assets are initially recognized at fair value plus any attributable transaction costs.

After initial recognition, loans and receivables are measured at amortized cost through the effective interest method, less any loss due to impairment.

Loans and receivables include trade accounts receivable, other receivables and loans granted.



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Project-related funds

The funds linked to projects include balances of restricted checking accounts and restricted financial investments.

Non-derivative financial liabilities

Financial liabilities are recognized initially on the trade date on which the Foundation becomes a party to the contractual provisions of the instrument. The Foundation writes off a financial liability when its contractual obligations are removed, canceled or expired.

The Foundation has the following non-derivative financial liabilities: suppliers, loans and financing.

Such financial liabilities are initially recognized at fair value, plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(ii) *Derivative financial instruments*

There were no transactions with derivative financial instruments during the fiscal years of December 31, 2018 and 2017, including hedge operations.

c. *Accounts receivable*

They are presented at the present value of realization. The allowance for doubtful accounts is recorded based on the analysis of the risks of realization of the accounts receivable, when the Management deems it necessary.

The management of the Foundation based on the composition of amounts receivable, recorded an allowance for doubtful accounts (AFDA), considering the effective losses of the last twelve months. The effects on the amounts recognized in the financial statements are included in the following explanatory note:

- Explanatory Note No. 6 - Trade accounts receivable

d. *Property, plant and equipment*

(i) *Recognition and measurement*



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Items of property, plant and equipment are measured at the historical acquisition or construction cost, less accumulated depreciation and accumulated losses due to impairment, when necessary.

(ii) Depreciation

Depreciation is calculated on depreciable value, which is the cost of an asset, or another amount of the cost, less residual value.

The depreciation recognized in profit or loss is based on the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	25 years
Machinery and equipment	10 years
Furniture and fixtures	10 years
Vehicles	5 years
Computer - Hardware	5 years

The depreciation methods, useful lives, and residual values are reviewed at each year-end closing, and any adjustments are recognized as a change in accounting estimates.

e. Intangible assets

Intangible assets acquired separately are measured on initial recognition at the acquisition cost and, later deducted from accrued amortization and losses of recoverable value, when applicable.

The estimated useful life for the current and comparative period is 5 years.



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f. Projects

The inflows and outflows of funds intended for the execution of projects are recorded in individual asset and liability accounts and there is no consequence in the *Foundation's surplus/deficit* statement. *Financial income from financial investments* and financial expenses arising from bank charges for restricted accounts are recorded in liabilities, in a specific balance sheet account.

g Determination of net income and recognition of income and expenses of Projects

The recognition of income and expenses is carried out in accordance with the accrual basis of accounting. The amounts received and employees originated from Project contracts are recorded as follows:

- Receipt of funds: When the funds are received, the debit of funds linked to projects and the credit of linked projects to be executed are recorded in the current liabilities.
- Consumption as expenses: When the expenses of the Projects occur, the corresponding expenses are recorded, and the expenses are recognized against the debit within the liabilities of the projects to be executed.

h. Impairment

Financial assets

A financial asset, not measured at fair value through profit or loss, is valued at each presentation date in order to assess whether there is a piece of objective evidence that there has been an impairment. An asset is impaired if a piece of objective evidence indicates that a loss event occurred after the initial recognition of the asset, and that such loss event had a negative effect on future planned cash flows that may be estimated in a reliable manner.

The Foundation's Management did not identify any evidence to justify the need for a provision



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i. Provisions and current and non-current liabilities

A liability is recognized in the balance sheet when the Foundation has a legal or constituted obligation as a result of a past event, and an economic resource is likely to be required to settle it. Provisions are recorded based on the best estimates of the risk involved.

Current and non-current liabilities are stated at known or computable amounts plus, when applicable, the corresponding charges and monetary variations incurred until the date of the balance sheet.

j. Other current and non-current assets

They are stated at known or computable amounts plus, when applicable, the corresponding charges and monetary variations incurred until the date of the balance sheet.

k. Determination of net income and recognition of income and expenses

The recognition of income and expenses is carried out in accordance with the accrual basis of accounting.

l. Financial income and expenses

Financial revenues include basically the revenues from interest on financial investments.
Financial expenses basically comprise bank charges charged by financial institutions.

m. Revenues from volunteer work

As established in Interpretation ITG 2002 (R1) - Non-Profit Entity, the Foundation values revenues from volunteer work, including members of management bodies, and they are measured at fair value taking into account the amounts that the Foundation would pay if it contracted these services in a similar market. As established in ITG 2002 (R1) - Non-Profit Entities, the Foundation values revenues from volunteer work, including members of management bodies. Revenues from volunteer work are recognized in the income for the year as revenue in the operating income group against operating expenses.



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n. Financial risk management

The Foundation is exposed to the following risks arising from the use of financial instruments:

- Liquidity risk
- Market risk

The Foundation provides information on the exposure of each of the aforementioned risks, the Foundation's objectives, policies and processes for maintenance and risk management in Explanatory Note No. 31.

Risk management structure

The Foundation's risk management policies are established to identify and analyze the risks faced when setting limits. Risk management policies and systems are reviewed to reflect changes in the Foundation's market conditions and activities.

4 Determination of fair value

Several accounting policies and disclosures of the Foundation require determination of the fair value, both for financial and non-financial assets and liabilities. The fair values have been determined for measurement and/or disclosure purposes based on the methods presented in Explanatory Note No. 31. When applicable, additional information on the premises used to assess the fair values is disclosed in the notes specific to such asset or liability.



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5 Cash and cash equivalents

	12/31/2018	12/31/2017
Restricted (i)		
Banks - checking account	6,996	5,602
Financial investments (ii)	298,423	295,954
	305,419	301,556
Unrestricted		
Cash	13	13
Banks - checking account	455	1,459
Financial investments (ii)	8,354	4,385
	8,822	5,857
Total	314,241	307,413

i. Restricted funds refer to funds received by the Foundation that will be used exclusively in projects as mentioned in note No. 19.

ii. On December 31, 2018, financial investments refer to the savings and investment funds of Banco do Brasil, Santander, Bradesco and BEM DTVM, remunerated at the rate between 65.98% and 104.53% of the Interbank Deposit Certificate - CDI (70.34% and 102.21% on December 31, 2017).

6 Trade accounts receivable

The balance of accounts receivable refers mainly to the invoicing made by the Foundation to agents financing the projects and their portion retained to cover the administrative operating expenses.

	12/31/2018	12/31/2017
Customers - Project	53,650	13,371
Customers - Fiotec	6,942	955
	60,592	14,326
Provision for doubtful accounts	(21)	(33)
Total	60,571	14,293



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The key customers are listed in the table below:

Customer	12/31/2018
FUNDACAO OSWALDO CRUZ	57,197
INSTITUTO OSWALDO CRUZ	1,534
INSTITUTO NACIONAL DE INFECTOLOGIA	812
MMV MEDICINES FOR MALARIA VENTURE	359
INSTITUTO FERNANDES FIGUEIRA	172
SCENTRYPHAR PESQUISA CLINICA LTDA	112
BRIGHAM AND WOMEN'S HOSPITAL	60
CENTRO DE PESQUISAS AGGEU MAGALHAES	55
GLAXOSMITHKLINE BRASIL LTDA	49
INSTITUTO RENE RACHOU	40
EMS S/A	39
NATCOFARMA DO BRASIL LTDA	38
UNIVERSITY OF QUEENSLAND	37
PPD DO BRASIL SUPORTE À PESQUISA	28
LABORLAB PRODUTOS PARA LABORATORIOS	13
RIO BRANCO ALIMENTOS SA	7
COLLECT IMPORTAÇÃO E COMERCIO LTDA	6
Others	34
Total	60,592

7 Advances to suppliers

The balance of advances to suppliers in the amount of BRL 15,920 refers mainly to the advances made by the Foundation to foreign suppliers related to the process of import of equipment for projects. The main suppliers are listed in the table below:



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Date	Amount BRL	Project	Supplier	Type	M. Exl	M.
02/23/2017	244	VPPIS-002-FEX-17	Microfluidic Chipshop GMBH	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
03/10/2017	250	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
03/13/2017	251	VPPIS-002-FEX-17	microfluidic chipshop gmbh	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
04/12/2017	251	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
05/25/2017	276	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
06/09/2017	274	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
07/03/2017	280	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
08/04/2017	277	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
08/29/2017	287	VPPIS-001-FEX-16	INFECTIOUS	Activities related to SM-14 vaccine research	89,500	USD
09/04/2017	278	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
09/05/2017	227	VPPIS-001-FEX-16	INFECTIOUS DISEASE RESEARCH INST.	Developm. Act: for execution of clinical SM-14 vaccine trials in vaccinated patients	72,000	USD
09/22/2017	284	VPPIS-001-FEX-16	INFECTIUIS	Activities related to SM-14 vaccine research	89,814	USD
10/18/2017	277	VPPIS-002-FEX-17	MICROFLUIDIC	Development, design and validation of technological platform to diagnose ZIKA, Dengue and Chikungunya viruses	73,500	EUR
11/09/2017	169	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	51,500	USD
12/14/2017	261	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	77,500	USD
02/01/2018	170	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	53,000	USD
02/23/2018	180	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	55,000	USD
04/09/2018	63	ENSP-041-PPE-13	J20 IMOVEIS E PARTICIPACOES LTDA	Activities related to SM-14 vaccine research	62,946	BRA
04/13/2018	683	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	199,500	USD
04/26/2018	104	118100	ASSOCIAÇÃO BRAS. DE SAÚDE COLE	Activities related to SM-14 vaccine research	103,750	BRA
05/23/2018	860	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	199,000	USD
06/13/2018	375	VPPIS-001-FEX-16	BIOMEDICAL	Activities related to SM-14 vaccine research	100,000	USD
07/18/2018	608	FAR-001-LIV-10	BUKER AXS	X-Ray Diffractometer D * advance Eco. Brand: Bruker	134,000	EUR
07/19/2018	294	VPPIS-001-FEX-16	IDRI	Activities related to SM-14 vaccine research	75,000	USD
07/30/2018	104	118100	ASSOCIAÇÃO BRAS. DE SAÚDE COLE	Activities related to SM-14 vaccine research	103,750	BRL
07/31/2018	376	VPPIS-001-FEX-16	BIOMEDICAL	Activities related to SM-14 vaccine research	100,000	USD
10/10/2018	167	BIO-001-PPE-13	BR LIFE LLC	01 Software robotic platform Hamilton Starlet	44,165	USD
10/10/2018	377	VPPIS-001-FEX-16	BIOMEDICAL RESEARCH CENTER	Activities related to SM-14 vaccine research	100,000	USD
10/10/2018	871	BIO-001-PPE-13	BR UFE	01 Automated and custom workstation	230,836	USD
10/25/2018	83	FAR-001-FIO-17	FARWEST	2.8 KG Paracetamol DC90-8	22,260	USD
11/09/2018	620	FAR-001-FIO-17	FARWEST	21 KG Paracetamol DC90-8	165,281	USD
11/22/2018	342	-	METTLER-TOLEDO	Balance, Analytical, Printer, Compact antistatic and others	90,248	CHF
12/04/2018	62	-	ADVANCED	1 Autoclave	16,215	USD
12/14/2018	408	BIO-002-PPE-15	BECKMAN COULTER	01 Cytotflex S Base Instrument (B-R-V-Y)	104,870	USD
12/14/2018	135	BIO-002-PPE-15	YSI INCORPORATED	01 Biochemistry Analyzer and 01 Glucose/Lactate/Glutama	34,600	USD
12/18/2018	100	BIO-002-PPE-15	MOLECULAR	01 Spectramax 190 System with softmax pro	25,605	USD
12/18/2018	145	BIO-002-PPE-15	PHOENIX	02 Manual inspection Booth	36,986	USD
12/18/2018	68	BIO-002-PPE-15	IMMUNO AMERICAN	Metering and transfer pumps and other equipment items	17,400	USD
12/19/2018	62	BIO-002-PPE-15	THERMO ELECTRON	1 UV-Visible Spectrophotometer	15,800	USD
12/20/2018	152	BIO-002-PPE-15	PALL COPORATION	1 Instrument, Wireless Integrity Test	38,783	USD
12/20/2018	223	VPPIS-003-PPE-15	TA INSTRUMENTS - WATERS	01 Discovery TGA 550 Auto	57,030	USD
12/20/2018	1,227	-	GE - HEALTHCARE BIO-SCIENCES	01 Axichrom Chromatographic Glass and other equipment items	315,658	USD
12/21/2018	668	BIO-001-LIV-08	BIOENGINEERING	1 System Unit for the production of Biopharmaceutials	150,000	EUR
12/21/2018	58	FAR-002-LIV-09	MOLECULAR DEVICES	01 Aquamax 2000 base unit	14,890	USD
Miscellaneous	2,449	others	miscellaneous	Others		
us	15,920					

8 Credits to employees

The balance of credits to employees in the amount of BRL 315 refers mainly to the advances of vacations and salaries.



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	12/31/2018	12/31/2017
Credits to employees - Fiotec	50	108
Credits to employees - Projects	265	590
	315	698

9 Other receivables

The balance of other receivables refers mainly to completed projects and is still being analyzed by the Foundation, as shown in the table below.

	12/31/2018	12/31/2017
Current assets		
Other receivables (i)	327	195
Non-current assets	327	195
Funds from projects completed (ii)	4,639	-
Other receivables (iii)	7,083	3,663
	11,722	3,663
Total	12,049	3,858

- i. The balance is basically represented by prepaid expenses;
- ii. On December 31, 2018, the Foundation has the following linked projects to be executed (projects in progress) in the closing stages and included in the explanatory note No. 19;



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Project	Closing Balance
BIO-002-LIV-08	20
DIPLAN-002-FIO-12	6
ENSP-060-FEX-13	1,860
EPSJV-001-FIO-14	10
EPSJV-005-LIV-11	3
GEREB-009-SCD-18	11
ICICT-006-FEX-13	26
IOC-005-LIV-12	1
IOC-019-LIV-09	2
IPEC-003-LIV-03	8
IPEC-004-LIV-11	3
IPEC-007-LIV-08	3
VPAAPS-002-FEX-13	110
VPAAPS-005-FEX-13	149
VPDIGT-002-LIV-12	450
VPDIGT-003-LIV-11	1,863
VPEIC-002-FIO-14	56
VPEIC-003-FIO-14	5
VPGDI-004-FIO-15	53
Total	4,639

iii. The linked projects to be executed (projects in progress) are still under analysis and included in explanatory note No. 19.

10 Loans granted

They are carried out with the Foundation's own funds to Fiocruz Projects, aiming at full compliance with its statutory mission, as well as the preservation of the public interest so that the projects do not undergo interruption, with no aging list terms and monetary restatement. On 12/31/2018, the balance of loans granted was BRL 5,254 (BRL 4,697 in 2017).

The increase in the balance of Loans granted refers to the granting of new funds to projects in the year 2018, as shown in the table below:



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	01/01/2018	Borrowings	Losses	Payments	12/31/2018
Loans granted	4,697	5,511	(257)	(4,697)	5,254
Total	4,697	5,511	(257)	(4,697)	5,254

Part of the balances of loans granted in prior years was received and/or adjusted in 2018 after accounting analysis. Other loans, totaling BRL 3,870 thousand, according to the Executive Board of FIOTEC, will be recovered and/or written off in the fiscal year of 2019.

11 Escrow Deposits

The Foundation is a party to legal proceedings before courts and government agencies, arising from the normal course of operations, involving tax, labor and civil matters.

	12/31/2018	12/31/2017
Labor	9	22
Tax (i)	47,116	28,389
Civil (ii)	5,910	5,910
Others	-	7
Total	53,035	34,328

i. The main tax lawsuits originate in the ordinary suit of suspension of the enforceability of all special contributions to social security: Social Integration Program - PIS on payroll, National Social Security Institute - INSS Contribution - Employer and Environmental Occupational Risks - RAT.

ii. The main civil causes are for the disallowance in the rendering of accounts of the projects: Hospital Geral de Bonsucesso and Agência Nacional de Vigilância Sanitária (Brazilian Health Surveillance Agency).



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12 Property, plant and equipment

In 2016, Fundação Oswaldo Cruz issued a letter of consent for the use of the area of 1,600 m², part of the property located at Avenida Brasil, nº 4036 - Expansion of Campus Fiocruz - Manguinhos, Rio de Janeiro - RJ, an area intended for installations of modular structures of Fundação para Desenvolvimento Científico em Saúde - FIOTEC.

This property is in the process of regularization with the Federal Government Property Secretariat (SPU/RJ), changing the allocation at the request of Fiocruz, from Free-of-Charge Assignment of Use to Full Donation and concurrently with the regularization of enrollment with the City Council of the municipality of Rio de Janeiro and RGI.

This provisional authorization document is commonly used by SPU in cases of temporary impossibility of the allocation process; it is necessary to sign the respective Assignment of Use Agreement, which will be made as soon as the donation of the property in question is completed.

a. Composition of property, plant and equipment - 12/31/2018

The composition of property, plant and equipment is stated below:

a. Composition of property, plant and equipment

Property, plant and equipment	Annual depreciation rates	Cost	Accumulated depreciation	Net	
				12/31/2018	12/31/2017
Buildings	4%	18,962	(1,706)	17,256	18,014
Machinery and Equipment	10%	550	(206)	344	305
Furniture and Fixtures	10%	948	(359)	589	632
Vehicles	20%	160	(160)	-	13
Computer - Hardware	20%	2,730	(1,899)	831	1,100
Total		23,350	(4,330)	19,020	20,064



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b. Cost movement - 12/31/2018

	Balance as of 01/01/2018	Additions	Write-offs	Transfers	Balance as of 12/31/2018
Buildings	18,962	-	-	-	18,962
Machinery and Equipment	469	81	-	-	550
Furniture and Fixtures	903	45	-	-	948
Vehicles	160	-	-	-	160
Computer - Hardware	2,647	113	(30)	-	2,730
Total Cost	23,141	239	(30)		23,350

c. Depreciation movement 12/31/2018

c. Depreciation movement

	Balance as of 01/01/2018	Additions	Write-offs	Transfers	Balance as of 12/31/2018
Buildings	(948)	(758)	-	-	(1,706)
Machinery and Equipment	(164)	(42)	-	-	(206)
Furniture and Fixtures	(271)	(88)	-	-	(359)
Vehicles	(147)	(13)	-	-	(160)
Computer - Hardware	(1,547)	(382)	30	-	(1,899)
Total Depreciation	(3,077)	(1,283)	30	-	(4,330)
Net Balance	20,064	(1,044)	-	-	19,020



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d. Cost movement - 2017

	Balance as of 01/01/2017	Additions	Write-offs	Transfers	Balance as of 12/31/2017
Buildings	18,962	-	-	-	18,962
Machinery and Equipment	229	123	(25)	142	469
Furniture and Fixtures	1,074	66	(95)	(142)	903
Vehicles	160	-	-	-	160
Computer - Hardware	2,604	204	(161)	-	2,647
Total Cost	23,029	393	(281)		23,141

e. Depreciation movement - 2017

	Balance as of 01/01/2017	Additions	Write-offs	Transfers	Balance as of 12/31/2017
Buildings	(189)	(759)	-	-	(948)
Machinery and Equipment	(87)	(28)	23	(72)	(164)
Furniture and Fixtures	(343)	(88)	88	72	(271)
Vehicles	(127)	(20)	-	-	(147)
Computer - Hardware	(1331)	(377)	161	-	(1,547)
Total Depreciation	(2,077)	(1,272)	272	-	(3,077)
Net Balance	20,952	(879)	(9)	-	20,064



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13 Intangible assets

The composition of intangible assets is as follows:

a. Composition of intangible assets - 12/31/2018

Intangible assets	Annual amortization rates	Cost	Accumulated amortization	Net	
				12/31/2018	12/31/2017
Computer - Software	20%	4,742	(4,499)	243	362
Total		4,742	(4,499)	243	362

b. Cost movement - 12/31/2018

	Balance as of 01/01/2018	Additions	Write-offs	Balance as of 12/31/2018
Computer - Software	4,754	63	(75)	4,742
Total Cost	4,754	63	(75)	4,742

c. Amortization movement - 12/31/2018

	Balance as of 01/01/2018	Additions	Write-offs	Balance as of 12/31/2018
Computer - Software	(4,392)	(107)		(4,499)
Total Amortization	(4,392)	(107)		(4,499)
Net Balance	362	(44)	(75)	243

d. Cost movement - 2017

	Balance as of 01/01/2017	Additions	Write-offs	Balance as of 12/31/2017
Computer - Software	4,754	-	-	4,754
Total Cost	4,754	-	-	4,754



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	Balance as of 01/01/2017	Additions	Write-offs	Balance as of 12/31/2017
<i>e. Amortization movement - 2017</i>				
Computer - Software	(4,291)	(101)	-	(4,392)
Total Amortization	(4,291)	(101)	-	(4,392)
Net Balance	463	(101)	-	362

Right of use of Software and Assignment of Rights are assets with a defined useful life in five years, when they must be fully amortized.

14 Suppliers

The Foundation has a financial risk management policy to ensure that accounts payable are settled on time.

The Group's exposure to liquidity risks related to accounts payable to suppliers and other accounts payable is disclosed in explanatory note No. 31.

The amount refers mainly to Projects managed by the Foundation that are awaiting definition for due settlement or write-off.

	12/31/2018	12/31/2017
Domestic suppliers - Projects	1,236	1,394
Individual suppliers - Projects (i)	5,557	4,222
Foreign suppliers - Projects	140	140
Project Suppliers	6,933	5,756
Domestic suppliers - Fiotec	281	396
Individual suppliers - Fiotec	4	-
Fiotec Suppliers	285	396
Total	7,218	6,152

i. The increase in individual suppliers is related to the constitution of a provision for scholarship holders allocated to the projects managed by the Foundation.



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15 Social and labor obligations

The balance is represented by social and labor obligations payable, as shown below:

	12/31/2018	12/31/2017
Salaries payable - Projects	3,828	3,528
Provisions for vacations and vacation charges - Projects	1,137	1,370
National Social Security Institute - INSS Contribution payable - Projects	1,738	1,680
Employee's Severance Guarantee Fund - FGTS payable - Projects	605	542
Severance payable - Projects	76	-
Social Integration Program - PIS payable - Projects	52	48
Others payable - Projects	12	-
Total Projects	7,448	7,168
Salaries payable - Fiotec	716	922
Provisions for vacation and vacation charges - Fiotec	1,776	1,993
National Social Security Institute - INSS Contribution payable - Fiotec	361	431
Employee's Severance Guarantee Fund - FGTS payable - Fiotec	128	142
Social Integration Program - PIS payable - Fiotec	10	12
Others payable - Fiotec	24	26
Total Fiotec	3,015	3,526
Total	10,463	10,694

16 Tax obligations

The balance is represented by Taxes and Contributions payable, as follows:

	12/31/2018	12/31/2017
Service Tax - ISS payable	1,184	724
Third-Party Withholding Service Tax - ISS payable	-	12
State VAT - ICMS payable	186	230
Contribution to Social Security Financing - COFINS Payable	-	1
Third-party Withholding Income Tax - IRRF payable	43	98
Salary Withholding Income Tax - IRRF payable	1,245	1,317
National Social Security Institute - INSS Contribution withheld from legal entities	17	28
National Social Security Institute - INSS Contribution withheld from individuals	85	99
Withholding Social Contribution - CSRF (Social Integration Program - PIS, Contribution to Social Security Financing - COFINS and Social Contribution on Net Income - CSLL) from third parties	29	26
Other contributions payable	-	-
Total	2,789	2,535



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17 Installment payments and financing

The balance is represented by installment payments and financing, as follows:

	12/31/2018	12/31/2017
Current liabilities		
Financing	-	280
Short-Term Financing charges	-	(38)
Installment payment of contractual fines (i)	125	-
	<u>125</u>	<u>242</u>
Non-current liabilities		
Installment payment of contractual fines (i)	1,085	-
	<u>1,085</u>	<u>-</u>
Total	<u>1,210</u>	<u>242</u>

i. Refers to the fine imposed by the State Department of Health in the amount of BRL 1,000, as a result of the tax inspector's finding of irregularities in the execution of contract No. 002/2010, whose purpose is the provision of planning and execution services of the management of health care in the emergency units of the hospitals and in the fixed pre-hospital emergency units of the Health Department - SES/RJ.

On September 24, 2018, an application for special installment payment was requested from the Attorney General's Office of the State of Rio de Janeiro, through administrative proceeding No. E-08/6257/2009, to be paid in 120 months. A total of 116 installments are still pending payment in the total of BRL 1,210.

18 Provisions for contingencies

The Foundation, in the normal course of its activities, is subject to tax, labor and civil lawsuits. The Management, based on the opinion of its legal advisors, and, when applicable, based on specific opinions issued by experts on the same date, assesses the expectation of the outcome of the ongoing lawsuits and determines whether or not it needs to set up a provision for contingencies.

On December 31, 2018 and December 31, 2017, the Foundation had the following outstanding labor and tax lawsuits.



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	12/31/2018	12/31/2017
Current Liabilities		
Lawsuit - Injunction - Service Tax - ISS (i)	9,977	1,765
Lawsuit - Injunction - State VAT - ICMS (i)	12,430	10,107
	22,407	11,872
Non-Current Liabilities		
Labor Lawsuits	2,226	1,896
Tax Proceedings (National Social Security Institute - INSS Contribution and Social Integration Program - PIS lawsuit) (iii)	47,129	28,389
	49,355	30,285
Total	71,762	42,157

- (i) The provision comes from judicial injunction obtained in proceedings No. 0401177-14.2009.8.19.0001 in a Motion for declaratory judgment of recognition of the non-existence of a legal-tax relationship that obligates the Foundation to pay the Service Tax - ISS.
- (ii) The provision comes from a judicial injunction obtained in proceedings No. 0401152-98.2009.8.19.0001 filed against the State Treasury Department of the State of Rio de Janeiro, suspending the enforceability to pay State VAT - ICMS.
- (iii) The provision for National Social Security Institute - INSS Contribution and Social Integration Program - PIS comes from the Ordinary Suits in proceedings No. 0062157-78.2016.4.02.5101 and 0062142-12.2016.4.02.5101 against the Federal Government for recognition of the right to tax immunity.

On December 31, 2018, the amount of BRL 1,927 was classified by the Legal Department as the possibility of an outflow of funds. These amounts were not recognized in the Financial Statements for the year, according to Accounting Pronouncement No. 25, issued by the Accounting Pronouncements Committee (CPC).

In compliance with NBCTG 25, the main lawsuits classified as possible loss are as follows:



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Project	Lawsuit	Claimant	09/30/2018
PRES-010-LIV-12	0001315-28.2014.5.02.0055	Grace Barbosa	200
BIO-003-LIV-09	0006161-62.2016.8.19.0001	NORENGE CONST. EMPR. IMOB. LTDA	193
VPDIGN-004-LIV-10	0011507-51.2014.5.01.0571	Carmem Lucia Fonseca Marinho Montano	97
VPDIGN-004-LIV-10	0001636-60.2012.5.01.0023	Thales Figueiredo de Oliveira	84
VPDIGN-004-LIV-10	0012616-46.2014.5.01.0201	Rosa Tosin Lopes de Medeiros	80
VPDIGN-005-LIV-10	0000640-38.2014.5.05.0037	Josied Bulcao de Lima	60
VPDIGN-004-LIV-10	0011326-24.2014.5.01.0321	Fabiana Demolinari Arrighi de Freitas	50
BIO-003-LIV-09	0100794-88.2016.5.01.0010	PHILIPPE RIBEIRO NASCIMENTO	45
FAR-001-FIO-15	0100281-50.2018.5.01.0043	LEONARDO DE SOUZA SILVA	41
VPDIGN-004-LIV-10	0001341-17.2012.5.01.0025	Andreza Pina da Silva Branco	40
ENSP-060-UV-09	0010344-83.2015.5.01.0059	Jorge Luiz Alexandre Barbosa	40
VPDIGN-004-LIV-10	0010435-73.2015.5.01.0060	Ana Paula de Brito Fernandes	40
PRES-015-INO-11	0011690-74.2015.5.01.0025	MARCOS COUTINHO FONSECA	40
VPDIGN-007-LIV-10	0101399-68.2016.5.01.0031	SAMANTHA THERBERGE MIRANDA	40
VPDIGN-004-LIV-10	0101675-17.2016.5.01.0026	LEILA CRISTINA DURAO DUTRA	40
BIO-003-LIV-09	0101466-45.2016.5.01.0027	IGOR DO VALE DIAS	36
VPDIGN-003-LIV-11	0010018-55.2015.5.01.0017	Edneusa Felix dos Santos	35
VPDIGN-004-LIV-10	0010272-47.2015.5.01.0043	Kelly Rachid Guimarães	35
BIO-003-LIV-09	0010652-59.2015.5.01.0079	EDINALDO FERREIRA DE LIMA	35
dvs	dvs	dvs	502
			1,733
Fiotec	Lawsuit	Claimant	
ADM	0011140-47.2013.5.01.0026	SECRASO – Sind. das Entidades Culturais	130
ADM	0100937-52.2017.5.01.0007	IVONALDO ROSENO ALVES	45
ADM	0054600-20.2009.5.01.0028	ARETUZA C. DE OLIVEIRA	19
		Total	1,927

19 Linked projects to be executed (projects in progress)

The Foundation maintains systemic controls, balances segregated by projects, goals, accounts, expense/revenue elements and specific bank accounts with restricted funds, for each project. And it gathers, in a single bank account, projects of smaller financial size, in order not to have a significant impact on their costs.

The analytical statement of the balances of the linked projects to be executed is attached to the financial statements as Appendix 1.

The statement of projects initiated in 2018 is attached to the financial statements as Appendix 3.

We present the condensed movement of funds received by the Foundation, as well as the amounts used of the projects (consumption).

- Condensed movement

	Balance as of 01/01/2018	Amounts Received	Consumption	Completed Project Funds (i)	Balance as of 12/31/2018
Linked projects to be executed	318,110	383,073	(350,751)	(11,553)	338,879
Project funds	1,434	-	(314)	-	1,120
Total	319,544	383,073	(351,065)	(11,553)	339,999



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i. Amount of funds from the linked projects to be executed (projects in progress) in the closing and completion phases, which are included in the following explanatory notes, as shown in the table below:

	Balance as of 12/31/2018
Other receivables - note No. 09	4,639
Other liabilities - note No. 21	(16,192)
Total	(11,553)

20 Other provisions

The Foundation has recorded in the analytical accounts the provisions established for the payment of severance, in order to guarantee the labor rights of the contracted CLTs for the projects and totaled on December 31, 2018 the amount of BRL 21,375 (BRL 15,760 in 2017).

21 Other obligations payable

The balance of other obligations in the Non-Current Liabilities refers to completed projects that are still being analyzed by the Foundation.

	12/31/2018	12/31/2017
Funds from Projects completed (i)	16,192	-
Total	16,192	-

i. On December 31, 2018, the Foundation has the following projects in the closing stages and included in explanatory note No. 19, as shown in the table below:



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Project	12/31/2018
VPAAPS-007-UV-11	2,680
VPEDI-009-FIO-14	2,234
PRES-010-LIV-12	2,105
VPAAPS-001-FIO-16	1,584
VPAAPS-004-FEX-13	1,368
VPAAPS-001-FEX-13	810
IPEC-003-LIV-08	571
VPAAPS-003-FEX-13	552
VPAAPS-001-FEX-14	479
DIREB-002-FIO-17	475
VPEDI-006-FIO-14	396
BIO-001-LIV-03	240
INI-011-PPE-14	230
INCQS-002-FEX-16	182
IPEC-011-FEX-13	170
VPEDI-019-FIO-13	158
EPSJV-007-FEX-13	135
FAR-004-LIV-10	128
INI-001-PPE-15	108
FAR-001-FIO-13	99
FAR-002-LIV-09	94
VPEIC-001-FIO-17	80
VPAAPS-004-LIV-12	73
CPQRR-002-PPE-13	63
ENSP-021-FIO-14	62
IOC-011-LIV-10	62
VPEDI-018-FIO-13	60
ENSP-061-FEX-13	56
IPEC-004-LIV-12	54
INI-005-FEX-16	50
others	834
Total	16,192



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22 Management's Compensation

The Bylaws of the Foundation provides for non-compensation of the members of the Foundation's bodies. The Foundation does not distribute portions of equity or income for any reason whatsoever and fully invests in the Country the funds intended for the maintenance of its activities.

23 Shareholders' equity

Shareholders' equity is substantially comprised of equity and deficits/surpluses calculated annually.

The Management of the Foundation allocates the accumulated income of the equity in full investment in its institutional goals.

The Equity as of December 31, 2018 totaled BRL 6,000 (BRL 6,000 in 2017).

24 Tax exemption

In compliance with item 27, letter "c" of ITG 2002 (R1) - non-profit entity, the Foundation presents below the list of taxes that are the object of tax exemption for the year ended December 31, 2018.

For this, in our judgment, we consider the following taxes and contributions and respective tax rates, levied on the revenue (PIS/COFINS 3.65% - cumulative regime, deducted from the PIS calculated at the rate of 1% on the payroll, paid in the year); and levied on the surplus of the fiscal year (Corporate Income Tax - IRPJ and Social Contribution on Net Income - CSLL 34%).

These are estimates of tax exemption covering the main taxes and contributions because the Foundation does not have the obligation to make tax records, such as Taxable Income Accounting Ledger - LALUR bookkeeping, due to its nature as a non-profit entity.

The fiscal exemption in the amount of BRL 2,506 applied on the surplus of 2018 of the Foundation are listed below:



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a. Income Tax and Social Contribution	12/31/18
Surplus of the fiscal year	2,337
Income Tax at the rate of 25%	561
Social Contribution on income at the rate of 9%	210
Total Income Tax and Social Contribution for the period	(1) 771
b. Social Integration Program - Pis and Contribution to Social Security Financing - Cofins	12/31/18
Operating costs Revenue	37,174
Financial Revenues	1,892
Other operating income	8,478
Calculation basis for Social Integration Program - Pis and Contribution to Social Security Financing - Cofins	47,544
Social Integration Program - Pis - 0.65%	309
Contribution to Social Security Financing - Cofins - 3.00%	1,426
	1,735
Social Integration Program - Pis on payroll - 1%	-
Total Social Integration Program - PIS and Contribution to Social Security Financing - COFINS	(2) 1,735
c. Tax Exemption	12/31/18
Tax exemption - Corporate Income Tax - IRPJ and Social Contribution on Net Income - CSLL	(1) 771
Tax exemption - Social Integration Program - PIS and Contribution to Social Security Financing - COFINS	(2) 1,735
Total tax exemption	2,506



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25 Revenue from contracts and agreements

Revenues from contracts and agreements

The Foundation does not request reimbursement for project management. Our operating revenues are recognized in the income statement by the withdrawal of the operating cost provided for in the contract and calculated on the service invoices issued by the Foundation, upon the release of the funds contracted by the Projects. Levied only on projects financed through contracts, which include their respective cost sheets and the total amount of financial resources allocated to the execution of the project to cover operational and administrative expenses incurred in the execution of these contracts, agreements and settlements.

In the contracts, since it is project management, there is no requirement to prove the expenses incurred for its execution, and there is only the contractual forecast on the Operating Cost to be applied for execution of that object.

Likewise, Joint Ministerial Ordinance 507/2011 provides for that in the cases of a transfer contract, that is, contracts involving the transfer of financial resources from the fiscal budget, it is possible to receive administrative expenses up to the limit of 15% (fifteen percent) of the object value, provided that they are expressly authorized and stated in the respective instrument and work plan.

In the case of agreements, there is the operating cost, where Fiotec proves the expenses related to that object. However, the criteria for demonstrating this amount are established as stipulated by the contracting party, which makes it impossible to disclose each agreement.

Act 10,973/94 rules the agreements in the area of innovation, research and development. The agreements entered into in the other areas are based exclusively on Act 8,958/94.

The Foundation records in specific accounts its revenues earned through the management of contracts and agreements.

The statement of Foundation's revenues is attached to the financial statements as Appendix 2.



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26 Overhead expenses

	12/31/2018	12/31/2017
Rent and condominium fees	(243)	(233)
Water and energy consumption	(88)	(72)
Telecommunications services	(238)	(559)
Rental of goods and equipment	(590)	(606)
Transportation	(84)	(43)
Meal	(118)	(208)
Consumables	(51)	(127)
Vehicles (maintenance and fuel)	(34)	(41)
Travel	(186)	(308)
Maintenance materials	(185)	(228)
General Services	(970)	(907)
Specialized technical services	(986)	(2,141)
Information technology services	(1,806)	(3,969)
Tax expenses	(74)	(53)
Total	(5,653)	(9,495)

27 Personnel expenses

	12/31/2018	12/31/2017
Salaries, vacation and Christmas Bonus	(17,965)	(19,965)
Social charges	(5,695)	(6,295)
Benefits	(4,997)	(8,515)
Other personnel expenses	(92)	(118)
Total	(28,749)	(34,893)



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28 Other operating income (expenses)

Changes in other operating income (expenses) are as follows:

	12/31/2018	12/31/2017
Other operating income		
Reversal of provision (i)	597	-
Reimbursement of expenses	16	529
Funds received from projects (ii)	3,115	-
Other income (iii)	4,750	1,638
	<u>8,478</u>	<u>2,167</u>
Other operating expenses		
Return of funds	(81)	(11)
Disallowance of projects (iv)	(619)	-
Contractual fines (v)	(1,000)	-
Expenses with provisions (vi)	(133)	(432)
Eventual expenses	(103)	(513)
Write-off of loans (losses) (vii)	(257)	(787)
Write-off of operating cost (viii)	(194)	(519)
Transactions with property, plant and equipment (ix)	(1,466)	(1,382)
Institutional relations (x)	(6,229)	(38)
	<u>(10,082)</u>	<u>(3,682)</u>
Other operating revenues and expenses	<u>(1,604)</u>	<u>(1,515)</u>

- i. The amount is represented by the reversal of provision in completed projects;
- ii. The amount is basically represented by the financial remnants converted to the Foundation at the closing of the projects;
- iii. The amount is mainly represented by the amount of BRL 3,000, received from Banco Bradesco S.A., for the contract for payment of the net amounts related to salaries and other compensations to the Foundation's employees, for a period of 60 (sixty) months, from 01/02/2019 to 01/02/2024;



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- iv. The balance is represented mainly by the return to Fiocruz of the amount of BRL 616, according to contract No. 39/2011 - VPAAPS-OIO-LIV-11;
- v. The amount is represented by the contractual fine disclosed in explanatory note No. 17(i);
- vi. The amount is represented by the provision for losses and reversal of AFDA;
- vii. The balance is represented by write-offs of loans granted to onerous projects;
- viii. The balance is represented by the cancellation of administrative operating expenses of the project;
- ix. The balance is represented mainly by depreciation and amortization expenses;
- x. The balance is basically represented by the Foundation's contribution to new projects.

29 Financial Income

	12/31/2018	12/31/2017
Discounts obtained	1	2
Foreign currency exchange gains (i)	10	39
Interest received	-	146
Income from Financial Investments (ii)	1,881	5,030
Financial revenues	1,892	5,217
Bank charged	(286)	(288)
Foreign currency exchange losses (i)	-	(5)
Interest on late payment and fine (iii)	(138)	(43)
Discounts granted	(1)	-
Interest paid on financing	(40)	(84)
Interest and fees - installment payment of contractual fine	(252)	-
IOF - Tax on Financial Transactions	(5)	(9)
Financial expenses	(722)	(429)
Financial income	1,170	4,788



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- i. Monetary variations of liabilities and credits that are foreign currency exchange gains and losses arising from imports of machinery and equipment contracted with foreign suppliers
- ii. Financial income arising from operations and financial transactions, calculated based on the effective interest rate
- iii. The balance is represented mainly by fine and *ex officio* interest of COFINS and Import Tax, applied by the Internal Revenue Service in the clearance of imported goods;

30 Volunteer work

On December 31, 2018 and 2017, the Foundation received volunteer work from members of the administrative bodies, in the exercise of their administrative and financial functions measured in 192 hours in 2018 and 2017, 60 hours of its Directors in 2018 and 60 hours in 2017, which would be equivalent to the total fair value of BRL 751 in 2018 and BRL 729 in 2017.

31 Financial instruments

The Foundation operates only with non-derivative financial instruments that include financial investments and cash and cash equivalents, as well as accounts payable, salaries, vacation and charges, whose amounts are representative of the respective market values.

Fair value estimates

The book values included in the balance sheet, when compared to the values that could be obtained when trading in an active market or, in the absence thereof, with the net present value adjusted based on the current market interest rate. During this year, the Foundation did not carry out derivative operations.

Non-derivative financial instruments

All non-derivative financial assets (including the assets designated at fair value through the profit or loss) are initially recognized at the date of negotiation in which the Foundation becomes a party to the contractual provisions of the instrument.

CPC 38 - Financial Instruments: Recognition and measurement establishes a three-level hierarchy for fair value, which prioritizes information when measuring fair value by the Foundation to maximize the use of observable input and minimize the use of unobservable input.



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CPC 38 describes the three levels of information that must be used in measuring at fair value:

- **Level 1** - Prices negotiated (without adjustment) in active markets for identical assets or liabilities;
- **Level 2** - Other available information, except those at Level 1, where prices quoted (unadjusted) are for similar assets and liabilities, in non-active markets, or other information that is available and can be used indirectly (derived from prices);
- **Level 3** - Information unavailable due to small or no market activity and which are significant for the definition of the fair value of assets and liabilities.

The process of measuring the fair value of the Foundation's financial instruments is classified as Level 2.

Due to the characteristics and form of operation as well as the equity and financial position on December 31, 2018, the Foundation is subject to the following factors:

Liquidity risk

Liquidity risk is the risk in which the Foundation will have difficulties in fulfilling the obligations associated with its financial liabilities that are settled with payments at sight or with another financial asset. The Foundation's approach to managing liquidity is to ensure, as much as possible, that it always has sufficient liquidity to meet its obligations fall due, under normal and stress conditions, without causing unacceptable losses or with the risk of adversely affecting the reputation of the Foundation.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, have on the Foundation's gains, in their financial instrument interests amount. These fluctuations in prices and fees may cause changes in the Foundation's revenues and costs.

The purpose of market risk management is to manage and control the market risk exposures within acceptable parameters and at the same time optimize the return.

With regard to interest rates, aiming at mitigating this type of risk, the Foundation centralizes its investments in operations with a return rate that accompany the variation of the Interbank Deposit Certificate - CDI and fixed-income funds.



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32 Insurance coverages

The Foundation adopts the policy to contract insurance coverage for assets subject to risks in amounts considered sufficient to cover possible claims, considering the nature of its activity.

The risk assumptions adopted, given their nature, are not part of the scope of a special review and, consequently, were not reviewed by the independent auditors.

33 Suretyships, collaterals and guarantees

The Foundation did not provide guarantees or participated in any transactions as intervening guarantor during the years of December 31, 2018 and December 31, 2017.

34 Subsequent events

i. New contracts and revenue sources

On January 9, 2019, Act No. 13,801/2019, that amends art. 1 of Act No. 8,958 of December 20, 1994 was sanctioned. With the change, Fiocruz, through the action of Bio-Manguinhos, will be able to export vaccines with the legal support and participation of Fiotec.

As a Scientific and Technological Research Institution - ICT, Fiocruz has the possibility of signing an agreement or contract to support projects for the production and supply of vaccines, medicines and other health supplies and services, considering its reference terms.

The forecast of increased demand for vaccines by international agencies in the course of 2019 totals 130 to 170 million doses.

ii. Tax Immunity

On January 24, 2019, in the process of tax immunity No. 0062157-78.2016.4.02.5101, a judgment was handed down, accepting the request to declare Fiotec as an immune entity, as provided for in article 195, paragraph 7 of FC/88, in view of the fulfillment of the requirements of art. 14 of CTN.



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Thus, the suspension of the enforceability of escrow deposits was allowed, once performed in Federal Immunity action. The final success in said suit was classified as probable by the Legal Advisors of FIOTEC.

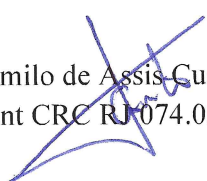
The recognition of tax immunity will have a direct positive impact on FIOTEC's cash flow as of the 2019 fiscal year.

iii. Internal Controls over projects - Bank Checking Accounts

FIOTEC, aiming at improving its internal controls and giving greater transparency to the financial execution of its projects, implemented measures, as of 01/02/2019, so that all new projects will have individual bank checking accounts, regardless of contractual value. The projects prior to 2019, which are being transacted in a single account, will have their balances transferred to individual accounts over 2019.


Hayne Felipe da Silva
Chief Executive Officer

Hayne Felipe da Silva
Executive Director – FIOTEC


João Camilo de Assis Cuquejo
Accountant CRC RJ 074.037/O-6

João Cuquejo
Contador – Adm. Fin. Cont.
CRC / RJ 074037/O-6
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