



ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL
FINANCIAL STATEMENTS
DECEMBER 31, 2017
With independent auditor's report

ASSOCIAÇÃO OPERAÇÃO SORRISO DO BRASIL

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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Independent auditor's report

**To the Management and Associates
Associação Operação Sorriso do Brasil
São Paulo - SP**

Opinion

We have audited the financial statements of Associação Operação Sorriso do Brasil ("Association"), which comprise the statement of financial position as at December 31, 2017, the statement of surplus or deficit, statement of changes in net worth and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Associação Operação Sorriso do Brasil as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Association in accordance with the relevant ethical principles set out in the Code of Ethics for Professional Accountants and professional standards issued by the Federal Accounting Board ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management and those charged with governance for the financial statements

The management of the Association is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to non-profit entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Association or to cease operations, or has no other realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's responsibility for the audit of the financial statements

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

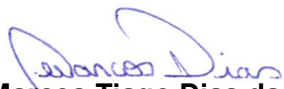
As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

São Paulo, March 12, 2018

Crowe Horwath Macro Auditores Independentes
CRC 2SP033508/O-1



Marcos Tiago Dias da Silva
Accountant - CRC 1SP315359/O-2



Fábio Debiaze Pino
Accountant - CRC1SP251154/O-9

Associação Operação Sorriso do Brasil

Statements of financial position at December 31

In reais (R\$)

Assets	Note	2017	2016	Liabilities and net worth	Note	2017	2016
Current assets				Current liabilities			
Cash and cash equivalents	4	189,537	267,812	Accounts payable	10	36,807	12,043
Accounts receivable	5	408,000	333,699	Labor and social security obligations	11	53,758	48,626
Inventories	6	117,471	115,231	Tax obligations	12	809	2,548
Other receivables	7	189,205	15,193			91,374	63,217
		904,213	731,935	Noncurrent liabilities			
				Provision for contingent liabilities	13	139,151	139,151
						139,151	139,151
Noncurrent assets				Net worth			
Property and equipment	8	175,849	195,397	Net worth	14	630,432	615,418
Intangible assets	9	4,325	8,349	Donations reserve		102,881	102,881
		180,174	203,746	Surplus for the year		120,549	15,014
						853,862	733,313
Total assets		1,084,387	935,681	Total liabilities and net worth		1,084,387	935,681

The accompanying notes are an integral part of these financial statements.

Associação Operação Sorriso do Brasil

Statements of surplus or deficit at December 31

In reais (R\$)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Operating revenues			
With restriction			
Voluntary work	16.1	251,688	348,869
Without restriction			
Individual donations		84,233	64,191
Corporate donations	16.2	1,222,393	1,197,658
Anonymous donations		13,062	45,814
Donations from abroad	16.2	651,042	1,092,449
Donations of products and services	16.2	491,728	280,527
Revenues from events		4,816	114,652
Other revenues		15,392	-
Total revenues without restriction		2,482,666	2,795,291
Total operating revenues		2,734,354	3,144,160
Costs of programs			
Cost of assistance programs	17	(1,270,952)	(1,360,702)
Voluntary work	16.1	(251,688)	(348,869)
Total costs of programs		(1,522,640)	(1,709,571)
Operating expenses			
Personnel expenses	18	(409,807)	(676,707)
Administrative expenses	19	(576,066)	(655,350)
Other expenses, net		(96,723)	(89,740)
Total operating expenses		(1,082,596)	(1,421,797)
Surplus before finance income (costs)		129,118	12,792
Finance income (costs), net	20	(8,569)	2,222
Surplus for the year		120,549	15,014

The accompanying notes are an integral part of these financial statements.

Associação Operação Sorriso do Brasil

Statements of changes in net worth

In reais (R\$)

<u>Description</u>	<u>Net worth</u>	<u>Donations reserve</u>	<u>Surplus (deficit) for the year</u>	<u>Total</u>
Balances at December 31, 2015	651,188	102,881	(35,770)	718,299
Transfer of deficit for the year	(35,770)	-	35,770	-
Surplus for the year	-	-	15,014	15,014
Balances at December 31, 2016	615,418	102,881	15,014	733,313
Transfer of surplus for the year	15,014	-	(15,014)	-
Surplus for the year	-	-	120,549	120,549
Balances at December 31, 2017	630,432	102,881	120,549	853,862

The accompanying notes are an integral part of these financial statements.

Associação Operação Sorriso do Brasil

Statements of cash flows for the years ended December 31

In reais (R\$)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Surplus for the year	120,549	15,014
Adjustments to reconcile surplus to funds from operating activities		
Depreciation and amortization	28,558	33,210
Residual value of property and equipment written off	-	178,445
	149,107	226,669
Changes in assets and liabilities		
Accounts receivable	(74,301)	(285,941)
Inventories	(2,240)	228,509
Other receivables	(174,012)	(8,776)
Accounts payable	24,763	(23,850)
Labor and social security obligations	5,132	(38,806)
Tax obligations	(1,738)	(8,448)
Net cash generated by (used in) operating activities	(73,289)	89,357
Cash flows from investing activities		
Purchase of property and equipment	(4,986)	(185,388)
Net cash used in investing activities	(4,986)	(185,388)
Decrease in cash and cash equivalents	(78,275)	(96,031)
Cash and cash equivalents at the beginning of the period	267,812	363,843
Cash and cash equivalents at the end of the period	189,537	267,812
Decrease in cash and cash equivalents	(78,275)	(96,031)

The accompanying notes are an integral part of these financial statements.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016
In reais (R\$)

1. General information

Associação Operação Sorriso do Brasil ("Association") is a non-profit philanthropic entity that started its activities on December 8, 2006. The Association is located at Avenida Brigadeiro Faria Lima, nº 2.413, São Paulo, SP, and its activities are governed by its statutes, the provisions of Law 9,790 of March 23, 199 and Decree 3,100 of June 30, 1999, and other applicable legal provisions. The Association's duration is for an indeterminate period.

The purpose of the Association is to provide support and assistance in scientific, medical and educational work for the areas of reconstructive plastic surgery and aesthetic surgery for children, teenagers, young adults and eventual needy adults, in conformity with the provisions of sole paragraph, article 4 of Law 9,790 of 3/23/1999.

2. Presentation of financial statements

2.1 Statement of compliance in respect of accounting practices

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, including the provisions of the Federal Accounting Board (CFC) Resolution 2015/ITG2002(R1), which approved the Technical Interpretation ITG 2002 (R1) "Non-profit Entities".

The financial statements were approved by the Association's management on March 12, 2018.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for non-derivative financial instruments that are measured at fair value through profit or loss.

2.3 Functional currency

These financial statements are presented in Brazilian reais (R\$), which is the Association's functional currency. All financial information presented in reais has been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of estimates and judgments

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

2.5 Statement of comprehensive income

There were no transactions in net worth, in all material respects, that could result in adjustments to the components of the statement of comprehensive income and, therefore, this statement is not being presented.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016

In reais (R\$)

3. Summary of significant accounting policies

(a) Financial instruments – recognition and measurement

The financial instruments are recognized as soon as the Association becomes part of the contractual exposures of the instrument. When a financial asset or liability is initially recognized, it is recorded at its fair value plus the transaction costs that are directly attributable to the acquisition of the financial asset or liability.

(b) Determination of surplus or deficit for the year

The surplus or deficit from the activities is determined under the accrual basis of accounting.

(c) Adjustment to present value

Long-term monetary assets and liabilities and short-term ones, when the effect is considered material in relation to the financial statements taken as a whole, are adjusted to their present value.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks readily convertible into a known amount of cash and subject to an insignificant risk of change in value. They are stated at cost, plus yield accrued which does not exceed their fair value.

(e) Contas a receber

São constituídos por doações de empresas nacionais ou internacionais que firmam o compromisso de realizar uma doação.

(f) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation calculated under the straight-line method at annual rates that take into consideration the estimated useful life and residual value of the assets (see note 8).

(g) Intangible assets

Software licenses are capitalized based on the costs incurred to purchase and use the specific software. These costs are amortized over their estimated useful lives using the straight-line method.

(h) Impairment of assets

Management reviews annually the net carrying amount of the assets to assess events or changes in economic, operating or technological circumstances that may indicate evidences of impairment. Whenever these evidences are identified, and the net carrying amount exceeds the recoverable amount, a provision for impairment is recognized adjusting the net carrying amount to the recoverable amount.

(i) Provision for contingent liabilities

Provisions are recognized when the Association which has a present obligation as a result of a past event and it is probable that economic benefits are required to settle the obligation and a reliable estimate of the amount can be made

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016

In reais (R\$)

(j) Net worth

This balance comprises donations received from third parties, plus or less the surplus or deficit for each year.

The transfer of surplus/deficit to net worth occurs upon approval of the associates' meeting.

(k) Other noncurrent assets and liabilities

Current and noncurrent assets and liabilities are stated at known or estimated amounts, plus, when applicable, the related charges, inflation adjustment and/or exchange rate changes through the end of the reporting period.

(l) New standards, technical pronouncements, revisions and interpretations not yet effective

NBC TG 47 - "Revenue from Contracts with Customers" (effective as of January 1, 2018). The new standard establishes criteria for the recognition of revenues with customers. The Association believes that the application of these changes will have no impact on financial statements.

NBC TG 48 - "Financial Instruments" (effective as of January 1, 2018). The standard addresses the classification, measurement and recognition of financial assets and liabilities and introduces new hedge accounting rules. The Association is currently evaluating the full impact of the standard, and has chosen not to apply early adoption of the standard.

NBC TG 06 (R3) - "Leases" (effective as of January 1, 2019). Replaces the existing lease standard, and establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease. The Association believes that the application of these changes will have no impact on financial statements.

4. Cash and cash equivalents

<u>Description</u>	<u>2017</u>	<u>2016</u>
Cash	42	33
Banks	10	10
Financial investments	189,485	267,769
Total	189,537	267,812

The Association has investment policies that determine investments in low-risk securities with yield based on percentages of the CDI (interbank deposit certificate rate) variation. This balance refers basically to investments in low-risk investment funds at traditional institutions.

5. Accounts receivable

<u>Description</u>	<u>2017</u>	<u>2016</u>
Accounts receivable from donations	408,000	328,239
Other amounts	-	5,460
Total	408,000	333,699

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016

In reais (R\$)

Accounts receivable refer to donations from domestic or foreign companies that undertook to make donations in a subsequent period, the amounts from these donations will be used by the Association in treatments and surgery missions for the year and 2018.

6. Inventories

Description	2017	2016
Surgical materials and consumer goods	117,471	115,231
Total	117,471	115,231

The inventory amounts refer to materials to be used in future programs. The durable materials return to the storeroom at the end of each program. The inventories comprise materials or consumer goods that will be used in the provision of services.

7. Other receivables

Description	2017	2016
Advance to suppliers	167,260	-
Other credits	21,945	15,193
Total	189,205	15,193

The Advances to suppliers is composed essentially of the importation in progress of equipment that is awaiting the licenses required by ANVISA for its proper nationalization.

8. Property and equipment

Description	Rates	Cost	2017		2016
			Accumulated depreciation	Net	Net
Machinery and equipment	10%	1.330	(797)	533	666
Furniture and fixtures	10%	28.158	(7.130)	21.028	23.844
Medical equipment	10%	180.100	(31.698)	148.402	161.426
Computers and peripherals	20%	26.383	(20.497)	5.886	9.461
		235.971	(60.122)	175.849	195.397

Changes 2017

Description	2016	Additions	Write-offs	2017
Cost				
Machinery and equipment	1,330	-	-	1,330
Furniture and fixtures	28,158	-	-	28,158
Medical equipment	175,114	4,986	-	180,100
Computers and peripherals	26,383	-	-	26,383
Total cost	230,985	4,986	-	235,971
(-) Accumulated depreciation	(35,588)	(24,534)	-	(60,122)
Net	195,397	(19,548)	-	175,849

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016
In reais (R\$)

Changes 2016

Description	2015	Additions	Write-offs	2016
Cost				
Machinery and equipment	6,871	-	(5,541)	1,330
Furniture and fixtures	69,428	-	(41,270)	28,158
Medical equipment	171,296	180,100	(176,282)	175,114
Computers and peripherals	21,095	5,288	-	26,383
Total cost	268,690	185,388	(223,093)	230,985
(-) Accumulated depreciation	(51,094)	(29,142)	44,648	(35,588)
Net	217,596	156,246	(178,445)	195,397

9. Intangible assets

Description	Amortization rate	2017			2016
		Cost	Accumulated amortization	Net	Net
Software	10%	20,340	(16,015)	4,325	8,349
		20,340	(16,015)	4,325	8,349

There were no additions or write-offs of software in 2017 and 2016, only moving its amortization in the amounts of R \$ 4,024 and R \$ 4,068, respectively.

10. Accounts payable

Description	2017	2016
Sundry suppliers	25,793	5,066
Professional services payable	3,386	3,386
Rentals payable	7,183	3,591
Others	445	-
Total	36,807	12,043

11. Labor and social security obligations

Description	2017	2016
Payroll taxes payable	22,650	31,914
Accrued vacation and charges	31,108	16,712
Total	53,758	48,626

12. Tax obligations

Description	2017	2016
IRRF (withholding income tax)	580	578
PIS and COFINS (taxes on revenue) and CSLL (social contribution on profit)	91	1,816
ISS (service tax) payable	138	154
Total	809	2,548

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016

In reais (R\$)

13. Provision for contingent liabilities

In the normal course of its activities, the Association is subject to tax, civil and labor lawsuits. As at December 31, 2017 and 2016, the Association was not a party to any lawsuit.

Management, based on the opinion of its legal counsel and experts, when applicable, assesses the matters that may raise future challenges and determines the need to recognize a provision for contingent liabilities. The balances as at December 31, 2017 and 2016 amounting to R\$ 139,151, refer to potential labor liabilities under discussion, still without any administrative or judicial proceeding in progress.

14. Net worth

Net worth is presented in inflation adjusted amounts and comprises the opening net worth, plus the surplus less the deficit occurred since the Association's foundation date.

15. Tax aspects

(a) Corporate Income Tax (IRPJ) and Social Contribution on Profit (CSLL)

As it is a non-profit entity, the Association enjoys the benefit of exemption from payment of federal taxes levied on profit, in accordance with articles 167 to 174 of the Income Tax Regulation approved by Decree 3,000 of 3/26/99 and article 195 of the Federal Constitution.

(b) PIS and COFINS

As regards the social contribution to the Social Integration Program (PIS), the Association is subject to the payment of the contribution calculated on the payroll at the rate of 1%, as provided for in article 13 of Executive Act 2,158-35, of August 24, 2001.

Regarding the Social Contribution for Social Security Financing (COFINS), the Association enjoys the benefit of exemption from payment of the tax levied on revenues related to its activities, in conformity with Laws 9,718/98 and 10,833/03, and is subject to tax payment on its other revenues.

16. Operating revenues

16.1 Revenues with restriction

Corrective surgeries by Operação Sorriso do Brasil are made by a team of volunteer health professionals. This work is recognized as donation and recorded through "working hours" according to the professional category, the rate per professional is determined according to the table disclosed and collective agreements of the labor unions of each category. In 2017, the amount determined was R\$ 251,688 (R\$ 348,869 in 2016).

16.2 Revenues without restriction

(a) Corporate donations

They are donations performed by companies through deposit in the current account of the entity, as follows:

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016
In reais (R\$)

Description	2017	2016
Andressa Nunes da Silva ME	37,030	24,000
Associação Cidadesperança	50,000	50,000
Aumund Ltda.	37,287	43,426
Alfa Computer	25,545	-
Schiwartche advogados	20,000	-
Azul Linhas Aéreas	52,731	-
Comerc Comercializadora de Energia Elétrica	100,800	100,800
Energia Sustentavel do Brasil S.A	408,000	-
Icatu Seguros S.A.	50,000	150,000
Johnson & Johnson BR Ind. e Com. Ltda	63,849	-
Pepsi	27,222	-
Voitalia Usina de Energia	324,574	422,842
Bichara, Barata & Costa Advogados	-	560
Bradesco Seguros	-	50,000
Coop Economia	-	37,935
LDS Church	-	87,051
Others	25,355	231,044
Total	1,222,393	1.197.658

(b) Donations from abroad

These are funds received in foreign currency from the parent company (Operation Smile Inc.) or from international partner organizations, as follows:

Description	2017	2016
Operation Smile	425,718	510,690
Temasek	11,380	374,984
United Way -White Martins	146,209	151,204
Others	67,735	55,571
	651,042	1,092,449

(c) Individual donations

These are donations performed by individuals through direct deposit into the Association's current account.

(d) Donations of products and services

Donations of products of surgical consumption performed by companies responsible producing these materials or voluntary services provided to the Association. The composition is as follows:

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016
In reais (R\$)

<u>Description</u>	<u>2017</u>	<u>2016</u>
Azul Linhas Aéreas	199,253	151,115
Johnson & Johnson BR Ind. e Com. Ltda.	146,664	74,317
Schiwartche Advogados	-	15,000
LDS Church	78,950	-
Abbvie	27,382	-
Others	39,479	40,095
	<u>491,728</u>	<u>280,527</u>

17. Costs of programs

In compliance with the provisions of item VI of article 3 of Decree 2,536/98, in 2016 and 2015 the Association granted the following gratuities for the holding of assistance programs:

<u>Description</u>	<u>2017</u>	<u>2016</u>
Air tickets	(181,746)	(326,048)
Meals	(22,996)	(29,950)
Medical supplies	(323,531)	(638,085)
Lodging services	(149,958)	(120,665)
Cargo storage services	(45,790)	(77,324)
Transportation services	(89,552)	(26,764)
Customs clearance	(10,684)	-
Forms of materials	(15,081)	-
Phone calls	(5,400)	(3,141)
Legal advisory services	(27,552)	-
Press advisory services	(4,929)	(19,416)
Distribution of gifts/prizes/presents/Kits	(250)	(29,598)
Training and education	(11,456)	-
Non-medical supplies	(20,668)	-
Personnel expenses	(122,218)	-
Other costs	(40,141)	(89,711)
Total	<u>(1,270,952)</u>	<u>(1,360,702)</u>

18. Personnel expenses

<u>Description</u>	<u>2017</u>	<u>2016</u>
Personnel expenses	(321,784)	(517,615)
Personnel charges	(88,023)	(159,092)
Total	<u>(409,807)</u>	<u>(676,707)</u>

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016

In reais (R\$)

19. Administrative expenses

Description	2017	2016
Rental	(43,093)	(47,352)
Office equipment lease	(7,785)	(6,268)
Alimentation	(5,185)	-
Internet	(28,292)	(9,577)
Office supplies	(8,371)	(5,281)
Travels/air tickets	(7,066)	(103,276)
Registration/domain of website	(9,719)	(6,327)
Accounting advisory services	(19,320)	(19,322)
Transport services	(23,233)	-
Audit services	(14,231)	(10,702)
Mailing/motoboy/transportation services	(7,148)	(24,481)
Advisory and consulting services	(316,780)	(351,776)
Phone calls	(12,819)	(17,844)
Other expenses	(73,024)	(53,144)
Total	(576,066)	(655,350)

20. Finance income (costs), net

Description	2017	2016
Finance income	6,564	20,331
Finance costs	(15,133)	(18,109)
Total	(8,569)	2,222

21. Insurance coverage

The Association has insurance coverage in amounts considered sufficient by Management to cover any risks on its assets and/or liabilities. The scope of the work of our auditors does not include the issuance of an opinion on the sufficiency of the insurance coverage.

22. Financial instruments

The financial instruments (cash and banks, accounts receivable, other receivables, and accounts payable) are recorded in the statement of financial position at their carrying amounts, according to the criteria mentioned in the explanatory notes. During the year, the Association did not enter into derivative transactions.

The Association carries out transactions with financial instruments. These instruments are managed by means of operating strategies and internal controls aimed to ensure liquidity, profitability and safety. The control policy consists in ongoing monitoring of the contracted conditions against the prevailing market conditions. The Association does not make speculative investments in derivatives or any other risk assets. The results obtained from these transactions are consistent with the policies and strategies defined by its management.

Associação Operação Sorriso do Brasil

Notes to the financial statements at December 31, 2017 and 2016

In reais (R\$)

23. Exemptions enjoyed and tax relief

In compliance with ITG 2002 (R1) – Non-profit entity, approved by CFC resolution 1,409/12, the Association presents below the amount of the tax relief determined in 2016 and 2015, if the obligation was due. Therefore, in our judgment, we considered the following taxes and contributions and related rates and point out that they refer to estimated calculations of tax relief covering the main taxes and contributions as the Association does not have the obligation to have tax bookkeeping.

The amounts are comprised as follows:

Description	2017	2016
PIS and COFINS (3.65% on revenues)	93,867	114,762
IRPJ and CSLL (34% on the surplus for the year)	71,254	5,105
Total	165,121	119,867

24. Events after the reporting period

In conformity with Brazilian accounting standards, Management has made its assessments and reached the conclusion that there are no significant events to be disclosed between the end of the reporting period and the date of approval of the financial statements.
