



## FINANCIAL STATEMENTS | 2010

**Rio 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES**

**Financial Statements  
As of December 31, 2010**

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A free translation from Portuguese into English of the Independent Auditors' Report on financial statements prepared in accordance with the accounting practices adopted in Brazil

## REPORT FROM INDEPENDENT AUDITORS

To  
THE MANAGEMENT OF THE  
RIO 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES  
RIO DE JANEIRO – RJ

### REPORT FROM INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

We have audited the accompanying balance sheets of RIO 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES, as of December 31, 2010 and the related statement of income, changes in shareholders' equity and its cash flow for the year then ended. These financial statements are the responsibility of the Entity's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with generally accepted auditing standards in Brazil and comprised: (a) planning of works, considering the relevance of the remaining balances, volume of transactions, accounting system and internal controls of the entity; (b) assessment, based on tests, on the evidence and information which support the amounts and disclosures in the financial statements, and (c) an assessment of the accounting practices used and estimates made by management, as well as an evaluation of the overall financial statements' presentation.

In our opinion, the financial statements referred to above, when read jointly with the accompanying notes, present fairly, in all material aspects, the financial position of RIO 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES as of December 31, 2010 and results of its operation, changes in its endowment funds and changes in its cash flow for the years then ended, in accordance with the accounting practices adopted in Brazil.

The entity was organised on 8 April 2010 with a total capital of R\$ 10,000,000 to be fully paid in. The payment in full was made in fiscal year 2010, by the Brazilian Olympic Committee - COB.

Rio de Janeiro, 21 March 2011

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Rio 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES

BALANCE SHEET  
Years ended December 31, 2010  
(In Reais)

ASSETS	31 DEC 2011
<b>CURRENT ASSETS</b>	
Cash and cash equivalents (note 4)	895,301
Investments (note 4)	11,731,285
Accounts Receivable (nota 5)	1,000,000
Escrow Deposits	4,000
Advances (note 6)	30,320
Prepaid Expenses (note 7)	11,783,593
<b>TOTAL CURRENT ASSETS</b>	<b>25, 444,499</b>
<b>NON-CURRENT</b>	
Fixed Assets (note 8)	91,916
Intangible Assets (note 9)	29,848
<b>TOTAL NON-CURRENT ASSETS</b>	<b>121,764</b>
<b>TOTAL ASSETS</b>	<b>25,566,263</b>
The accompanying notes are an integral part of these financial statements	

Rio 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES

BALANCE SHEET  
Years ended December 31, 2010  
(In Reais)

<b>LIABILITIES</b>	
<b>CURRENT</b>	
Taxes and tax receivables (note 10)	297,602
Social Contributions receivables (note 11)	324,380
Suppliers (note 12)	312,150
Accounts Payable	22,265
Contracts Payable (note 13)	9,124,305
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,080,702</b>
<b>NON-CURRENT</b>	
Foreign Borrowings (note 14)	38,181,510
<b>TOTAL NON-CURRENT ASSETS</b>	<b>38,181,510</b>
<b>SHAREHOLDERS' EQUITY</b>	
Capital	10,000
Accumulated Surplus (Deficit)	(22,705,949)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(22,695,949)</b>
<b>TOTAL LIABILITIES</b>	<b>5,566,263</b>
The accompanying notes are an integral part of these financial statements	

Rio 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES

STATEMENT OF INCOME  
Years ended December 31, 2010  
(In Reais)

Net Financial Revenue (note 15)	1,521,749
Personnel Expenses	(7,455,242)
Administrative Expenses (note 16)	(16,668,500)
Taxes and Fees	(100,784)
Depreciation / Amortization Expenses	(3,172)
<b>YEAR DEFICIT</b>	<b>(22,705,949)</b>
The accompanying notes are an integral part of these financial statements.	

Rio 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2010

(In Reais)

	EQUITY	ACCUMULATED (DEFICIT)	TOTAL
Capital	10.000	-	10.000
Deficit of fiscal year 2010	-	(22.705.949)	(22.705.949)
<b>BALANCE AS OF DECEMBER 31, 2010</b>	<b>-</b>	<b>(22.705.949)</b>	<b>(22,695,949)</b>
The accompanying notes are an integral part of these financial statements.			

Rio 2016™ ORGANISING COMMITTEE FOR THE OLYMPIC GAMES

STATEMENT OF CASH FLOWS – INDIRECT METHOD

Years ended December 31, 2010

(In Reais)

<b>OPERATING ACTIVITIES CASH FLOW</b>	<b>(24,115,148)</b>
Depreciation and amortization	3,172
Foreign exchange variation	1,406,027
	<b>(22,705,949)</b>
<b>VARIAÇÕES NOS ATIVOS E PASSIVOS OPERACIONAIS</b>	
Accounts Receivable from Clients	(1,000,000)
Advances	(34,320)
Contracts	(167.808.873)
Prepaid Expenses	(11,783,593)
Contracts	9,124,305
Taxes and Contributions Payable	621,982
Suppliers Payable	312,150
Other Accounts Payable	22,265
	<b>(2,737,211)</b>
<b>CASH AND CASH AVAILABILITIES APPLIED TO OPERATING ACTIVITIES</b>	<b>(25,443,160)</b>
<b>CASH FLOW IN INVESTMENT ACTIVITIES</b>	
Investment in fixed assets and intangible assets	(121,764)
<b>CASH FLOWS IN FINANCING ACTIVITIES</b>	
Loans and financing	38,181,510
Paid in Equity Fund	10,000
	<b>28.521.313</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>38,191,510</b>
<b>STATEMENT OF NET VARIATION</b>	
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>12,626,586</b>
	<b>12,626,586</b>
The accompanying notes are an integral part of these financial statements.	



# Explanatory notes to the Financial Statements as of 12.31.2010

## 1 - OPERATIONS

The Rio 2016™ Organising Committee for the Olympic Games (“Rio 2016™”), formed on April 8, 2010 as a non-profit private company, initiated the promotion, organisation and staging, of the Olympic Games in the City of Rio de Janeiro, State of Rio de Janeiro and in the Federal District, as well as in the Cities of São Paulo, Belo Horizonte and Salvador, in the States of São Paulo, Minas Gerais and Bahia, respectively, from 5 August, 2016 to 21 August, 2016, and in the City of Rio de Janeiro, State of Rio de Janeiro, the Paralympic Games from 7 September, 2016 to 18 September, 2016, in conformity with the provisions foreseen in the Host City Contract and in the Joint Marketing Programme Agreement, referred to in article 1 of the Olympic Charter, also in conformity, as applicable, with the statutory, ruling and normative provisions of the International Olympic Committee, the International Paralympic Committee, the World Antidoping Agency and provisions foreseen in the statute of the Brazilian Olympic Committee.

The legal entities which make up RIO 2016 as associates are the Brazilian Olympic Committee, the Brazilian Paralympic Committee and the Brazilian Olympic Sport Confederations, provided that their respective disciplines are included in the 2016 Olympic Games programme as affiliates to the Brazilian Olympic Committee that are also affiliates of the respective International Federations, and the said national entities expressly manifest their association intention.

The deliberative bodies of Rio 2016™ are as follows:

- a) General Assembly
- b) Management
- c) Executive Committee
- d) Fiscal Committee
- e) Honour Committee

Rio 2016™ Executive Committee, strictly organised under the terms provided for in clause 2 of the Host City Contract which was referred to in article 1, will be composed of the Chairman of Rio 2016™, the Brazilian members of any category who are members of the International Olympic Committee, currently Dr. Carlos Arthur Nuzman and Dr. João Havelange, by the General Secretary of the Brazilian Olympic Committee or his assignee appointed as a substitute by the Brazilian Olympic Committee Executive Committee, as foreseen in

paragraph 3, article 28, by a representative of the Brazilian Paralympic Committee appointed by its Chairman, by an Olympic athlete appointed by the Brazilian Olympic Committee Executive Committee, by a representative of the Municipality of Rio de Janeiro, appointed by the Mayor of the Municipality of Rio de Janeiro, by a representative of the State of Rio de Janeiro, appointed by the Governor of the State of Rio de Janeiro and by a representative of the Sports Ministry appointed by the Sports Ministry, all with a single mandate for the duration of Rio 2016™, as foreseen in article 2.

Among the tasks undertaken by the Committee to achieve its final goal, the following must be highlighted:

- a) Promote, organise and stage, in any city located within the Brazilian territory, sport events with the participation of Brazilian and/or foreign athletes or any other type of athlete, including test and preparation events for the Rio 2016™ Olympic and Paralympic Games
- b) Promote, organise and stage, in any city within the Brazilian territory, during the period preceding the Rio 2016™ Olympic and Paralympic Games, events of any nature, either sport or non-sport, whose rights will be independently sold, in compliance with third-party rights, contracted with the International Olympic Committee and/or Rio 2016™, including, without limitations, the Olympic Torch Relay, Cultural Programme, test and preparation events related to the same Games
- c) Deal with the federal, state and/or municipal administration bodies, mixed capital companies, public and/or parastate companies, private entities and individuals
- d) Contract with the people referred to in letter c above, and/or with any others, the execution of construction works, rendering of services and acquisition of all types of assets and property, as well as the repass of funds through the execution of the respective agreements and contracts
- e) Licensing, within the Brazilian territory, for use of proprietary brands registered with the national competent bodies and/or brands whose ownership is assigned to the same and/or any other rights acquired, so as to generate revenues

## 2 - PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the accounting practices adopted in Brazil, which include Corporate Law, Accounting Pronouncements, Orientations and Interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”).

As of 8 April 2010, the Management authorises the inclusion of the financial statements relative to the fiscal year ended 31 December 2010.

### 3 - SUMMARY OF THE RELEVANT ACCOUNTING PRACTICES

#### a. Determination of Net Income

Income from operations is recorded on an accrual basis.

#### b. Accounting Estimates

The preparation of financial statements in conformity with the accounting practices adopted in Brazil requires the Company's Management to use its judgmental abilities to determine and record the accounting estimates. Assets and liabilities subject to these estimates and assumptions include the residual value of the fixed assets, provisions for contingencies, for the valuation of financial instruments and investment losses, as well as stocks' market values.

The value resulting from the settlement of transactions involving these estimates may differ from those that were estimated, due to inaccuracies which are inherent to their assessment process. The Company revises the estimates and assumptions at least once a year.

#### c. Financial Instruments

Non-derivative financial instruments include cash and cash equivalents, accounts receivable and accounts payable.

Such financial instruments are classified as to held-to-maturity, and are measured through the amortised cost using the effective interest rate, reduced by eventual drops in the recoverable amount.

During the year ended on 31 December, 2010, the Company did not operate with derivative financial instruments

#### d. Foreign Currency

The Company's Management defined that its functional currency is the Brazilian Real, in accordance with the norms described in the CPC Technical Pronouncement 02 – Effects on Changes in the Foreign Exchange Rates and Conversion of Financial Statements, approved by CVM Deliberation 534/08.

Foreign currency transactions. i.e, any transaction not carried out in the functional currency, are converted using the exchange rates recorded on the dates of each transaction. Monetary assets and liabilities in foreign currency are converted into the functional currency on

the closing date. Gains and losses from exchange rate variations on monetary assets and liabilities are recognised in the income statement.

#### **e. Current and Non-Current Assets**

- **FIXED ASSETS**

Fixed assets are recorded through the cost of acquisition, net of depreciation which is calculated through the straight-line method, and takes into consideration the useful life of the assets, as mentioned in Note 08.

- **REMAINING CURRENT AND NON-CURRENT ASSETS**

They are stated through their net realisation value and, as the case may be, adjusted by the related financial charges and monetary and/or exchange variations incurred until the balance sheet date.

#### **f. Current and non-current liabilities**

They are stated at known or determinable values including, where applicable, the related accrued charges, monetary and/or exchange variations incurred until the date of the balance sheets.

#### **g. Provisions**

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Provisions are recorded reflecting the best estimates of the risk involved.

### **4 - CASH AND CASH EQUIVALENTS**

These comprise the values maintained in deposit accounts in the amount of R\$ 895,301 and funds from financial investments in the amount of R\$ 11,731,285, at Citibank and Caixa Econômica Federal in the total amount of R\$ 12,626,586.

### **5 - ACCOUNTS RECEIVABLE**

This represents a loan in the amount of R\$ 1,000,000 granted to the Brazilian Olympic Committee – BOC, in conformity with the loan agreement.

## 6 - OTHER ADVANCES

The advances granted to third parties for immediate payment of expenses amount to R\$ 30,320, whose accounting was settled on a subsequent date.

## 7 - PREPAID EXPENSES

Contracts with service providers whose expiration and services to be rendered will occur in the following year, of which the main ones are:

	31 DEC 2010
IOC – International Olympic Committee	4,857,510
Cenários e Cenas Consult. e Assessoria	2,630,083
Delloite Touche Tohmatsu Consultores	1,099,852
Fundação Getulio Vargas	745,500
Magenta Design e Grafica	704,000
Outras despesas antecipadas	489,980
Arte e Mídia	440,050
Françoise Zweifel	396,517
Copetec	244,800
Lisa Hindson	175,301
<b>TOTAL</b>	<b>11,783,593</b>

## 8 - FIXED ASSETS

Since this is the first year of the Entity, this account group presented only acquisitions which represented an investment in fixed assets.

Fixed assets are recorded at acquisition cost and presented net of depreciation, which is calculated and recorded on a monthly basis by the accounting department.

The fixed assets breakdown as of 31 December 2010 are as follows:

	COST	DEPRECIATION	NET BOOK VALUE
Machines and equipment	47,835	(1,248)	46,587
Furniture and Fixtures	31,236	(1,037)	30,199
Installations	6,200	(310)	5,890
Computer Equipment	9,817	(577)	9,240
<b>TOTAL</b>	<b>95,088</b>	<b>3,172</b>	<b>91,916</b>

## 9 - INTANGIBLE

Since this is the first year of the Entity, this account group presented only acquisitions which represented an investment in software programmes.

These intangible assets are recorded at acquisition cost and presented net of amortization, which is calculated and recorded on a monthly basis by the accounting department:

	COST	DEPRECIATION	NET BOOK VALUE
Software	29,848	-	29,848

## 10 - TAXES PAYABLE

Taxes payable balance is broken down as follows:

	31 DEC 2010
IRRF Payable	242,238
CIDE Payable	37,833
PIS/COFINS/CSLL payable	17,531
<b>TOTAL</b>	<b>297,602</b>

## 11 - SOCIAL CONTRIBUTIONS PAYABLE

The breakdown of Social Contributions Payable is as follows:

	31 DEC 2010
INSS Payable	313,808
PIS over Payroll Payable	10,572
<b>TOTAL</b>	<b>324,380</b>

## 12 - SUPPLIERS

The suppliers breakdown is as follows:

	31 DEC 2010
Holográfica Editora Ltda.	94,641
Escola Naval	70,000
Magenta Design e Gráfica Ltda.	40,000
Shine Prestadora de Serviços	17,100
On the Road Serv. Transp. E Turismo	15,048
Mac Audio Sound Services Ltda.	10,565
Notilog Prnewsnere	7,093
Adecco Recursos Humanos	29,568
Other Suppliers - Payable	28,135
<b>TOTAL</b>	<b>312,150</b>

### 13 - CONTRACTS PAYABLE

The commitments undertaken in the fiscal year are broken down as follows:

	31 DEC 2010
Fundação Getúlio Vargas	1,118,250
Cenários e Cenas Consult Assess.	3,069,668
Magenta Design e Gráfica S.A.	780,000
Arte e Mídia	440,050
Coopetec	420,800
Françoise Zweifel	396,517
Delloite Touche Tohmatsu Consultores	1,454,319
Other contracts payable	1,444,701
	<b>9,124,305</b>

### 14 - LOANS - FOREIGN

Loans obtained with the International Olympic Committee - IOC, adjusted according to exchange variations, whose tax expiration month is December 201.



## 15 - FINANCIAL INCOME

Breakdown of the Company's financial revenues as of 31 December, 2010 is shown below:

	31 DEC 2010
<b>FINANCIAL REVENUES</b>	
CDB Income	893,788
Other Financial Revenues	2,071,000
	<b>2,964,788</b>
<b>FINANCIAL EXPENSES</b>	
Interest and Banking Charges	516,541
Passive Exchange Variation	664,973
Tax on Investments and Loans	261,525
	<b>1,443,039</b>
<b>NET FINANCIAL INCOME</b>	<b>1,521,749</b>

## 16 - ADMINISTRATIVE EXPENSES

	31 DEC 2010
Services Rendered – national	8,444,023
Services rendered – international	1,888,666
Events	1,437,626
Equipment Rental	863,678
Airline tickets	763,037
Accommodation and Meals	647,748
Graphic Services	635,315
Services Rendered – natural person	555,786
Rentals and condominiums	475,228
Other administrative expenses	957,393
<b>TOTAL</b>	<b>16,668,500</b>

Rio 2016™ Organising Committee for the Olympic and Paralympic Games

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