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DRACENA IV PARQUE SOLAR S.A.

Financial Statements on

December 31, 2018

RT NO. 022/2019



RT 022/2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Officers and Shareholders of
DRACENA IV PARQUE SOLAR S.A.
São Paulo – SP

Opinion

We have audited the financial statements of DRACENA IV PARQUE SOLAR S.A. ("Company"), which comprise the balance sheet as of December 31, 2018 and the related statements of income, changes in quotaholders' equity and cash flows for the year then ended, as well as the related explanatory notes, including the summary of the main accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DRACENA IV PARQUE SOLAR S.A., on December 31, 2018, the performance of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditor's Responsibilities for the Audit of Financial Statements." We are independent in relation to the Company, in accordance with the relevant ethical principles set forth in the Professional Code of Ethics of the Accountant and in the professional norms issued by the Federal Accounting Board, and we comply with the other ethical responsibilities according to these norms. We believe that the audit evidence we have obtained is sufficient and appropriate to substantiate our opinion.

Other matters

The accompanying financial statements for the year ended December 31, 2017 were neither audited by us nor by other independent auditors and is presenting for comparative purposes and consequently, we are not expressing an opinion on them.

The accompanying financial statements have been issued initially in Portuguese and then translated to English for the convenience of readers outside Brazil. This report is intended for the use and information of corporate management, local management and the quotaholders' of the Company for purposes of support for the consolidation of the financial statements of the parent company and should not be used for any other purpose.

Other information accompanying the financial statements and the auditor's report

The Company's management is responsible for such other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion about this report.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in so doing, to consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or, otherwise, it appears to be materially distorted. If, based on the work performed, we conclude that there is a material misstatement in the Management Report we are required to report this fact. We have nothing to report on this.

Management and governance responsibilities of the financial statements

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

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

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable safety is a high level of security, but not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards will always detect any relevant material misstatements. Distortions may be due to fraud or error and are considered relevant when, individually or jointly, they can influence, from a reasonable perspective, the economic decisions of the users taken based on the referred financial statements.

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

- We identify and assess the risks of material misstatement in the financial statements, whether caused by fraud or error, plan and perform audit procedures in response to such risks, and obtain audit evidence that is appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that of error, since fraud may involve the act of circumventing internal controls, collusion, forgery, omission, or false intentional representations.
- We obtain an understanding of the internal controls relevant to the audit to design audit procedures appropriate to the circumstances, but not, in order to express an opinion on the effectiveness of the Company's internal controls.

- We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.
- We conclude on the adequacy of management's use of the operating continuity accounting basis and, based on the audit evidence obtained, whether there is significant uncertainty in relation to events or circumstances that could cause significant doubt as to the Company's ability to continue operating Company and its subsidiaries. If we conclude that there is significant uncertainty, we should draw attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include modification in our opinion if the disclosures are inadequate. Our findings are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company and its subsidiaries to no longer maintain operating continuity.
- We evaluate the overall presentation, structure and content of financial statements, including disclosures and whether the financial statements represent the corresponding transactions and events in a manner consistent with the objective of adequate presentation.

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

São Paulo, February 13th 2019.

RSM ACAL AUDITORES INDEPENDENTES S/S

CRC-RJ- 4080/O-9



Cláudio Silva Foch

Partner in charge

CRC-SP: 1RJ 102.455/O-4 "S" SP

DRACENA IV PARQUE SOLAR S.A.
 CNPJ: 21.983.207/0001-01
BALANCE SHEET
ENDED ON DECEMBER 31, 2018 AND 2017
 (Amounts in Brazilian Reais - BRL)

		(Not audited)	
ASSETS	Note	2018	2017
CURRENT			
Cash and Cash Equivalents	4	207,398	633,571
Advances	5	3,344,419	-
Related Parties	8	141,000	-
Taxes recoverable	6	8,520	8,436
TOTAL CURRENT		3,701,337	642,007
NONCURRENT			
Fixed assets	9	37,637,895	275,736
TOTAL NON-CURRENT		37,637,895	275,736
TOTAL ASSETS		41,339,232	917,743
		(Not audited)	
LIABILITIES	Note	2018	2017
CURRENT			
Tax Payable	11	105,395	2,544
Suppliers	10	2,307,305	8,658
Provision of IR and CS	7	23,024	-
TOTAL		2,435,724	11,202
NET EQUITY			
Capital Stock	12	5,026,087	2,204,461
Capital to be Paid		-	(1,291,133)
Additional paid-in capital	13	34,041,545	-
Accumulated Losses		(164,124)	(6,787)
TOTAL NET EQUITY		38,903,508	906,541
TOTAL LIABILITIES AND EQUITY		41,339,232	917,743

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

DRACENA IV PARQUE SOLAR S.A.
 CNPJ: 21.983.207/0001-01
 INCOME STATEMENT FOR THE YEARS
 ENDED ON DECEMBER 31, 2018 AND 2017
 (Amounts in Brazilian Reais - BRL)

		(Not audited)	
	Note	2018	2017
Operating Expenses			
General Expenses	14	(207,242)	(49,902)
Operating loss		(207,242)	(49,902)
Financial Expenses	15	(12,454)	(4,859)
Financial Revenue	15	85,383	47,974
Financial Revenues		72,929	43,115
Loss before Income Tax and Social Contribution		(134,313)	(6,787)
Social Contribution		(7,685)	-
Income Tax		(15,339)	-
Loss at Year-end		(157,337)	(6,787)

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

There were no other comprehensive income in the years presented, therefore it is not necessary to submit the comprehensive income statement.

DRACENA IV PARQUE SOLAR S.A.
 CNPJ: 21.983.207/0001-01
 STATEMENT OF CHANGES IN EQUITY
 ENDED ON DECEMBER 31, 2018 AND 2017
 (Amounts in Brazilian Reais - BRL)

	Capital Stock	Capital Payable	Additional paid-in capital	Accumulated Losses	Total
Balances on January 1, 2017	2,204,461	-	634,600	-	2,839,061
Increase/Decrease of Capital	-	(1,291,133)	-	-	(1,291,133)
Additional paid-in capital	-	-	(634,600)	-	(634,600)
Loss at Year-end	-	-	-	(6,787)	(6,787)
Balances as of December 31st, 2017	2,204,461	(1,291,133)	-	(6,787)	906,541
Increase/Decrease of Capital	2,821,626	1,291,133	-	-	4,112,759
Additional paid-in capital	-	-	34,041,545	-	34,041,545
Loss at Year-end	-	-	-	(157,337)	(157,337)
Balances as of December 31, 2018	5,026,087	-	34,041,545	(164,124)	38,903,508

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

DRACENA IV PARQUE SOLAR S.A.
CNPJ: 21.983.207/0001-01
CASH FLOW STATEMENT OF THE YEARS
ENDED ON DECEMBER 31, 2018 AND 2017
(Amounts in Brazilian Reais - BRL)

	2018	(Not audited) 2017
Cash Flow from Operating Activities		
Loss at Year-end	(134,313)	(6,787)
<i>Adjustments of expenses and revenues that do not involve cash resources:</i>		
Fixed Asset Adjustment	-	30,607
	(134,313)	23,820
Variations in current capital:		
Advance and prepaid expenses	(3,344,419)	-
Taxes receivable	(84)	(8,436)
Suppliers	2,298,647	7,608
Tax Payable	102,851	2,510
	(943,005)	1,682
Net cash provided (used) by operating activities	(1,077,318)	25,502
Cash Flow from Investing Activities		
Acquisition of fixed assets	(37,362,159)	(42,858)
Net cash provided (used) in investment activities	(37,362,159)	(42,858)
Cash Flow from Financing Activities		
Funds from Issuance of Capital Shares	38,154,304	150,000
Loan Granted	(141,000)	-
Net cash provided (used) in investment activities	38,013,304	150,000
Increase (decrease) in cash and cash equivalents	(426,173)	132,644
Change in cash and cash equivalents		
In the beginning of the fiscal year	633,571	500,927
At the end of the year	207,398	633,571
	(426,173)	132,644

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

DRACENA IV PARQUE SOLAR S.A.

CNPJ: 21.983.207/0001-01

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

1. Operating Context

DRACENA IV PARQUE SOLAR S.A. ("Company") is a privately held company governed by its Articles of Association and by the legal provisions applicable thereto. With headquarters in São Paulo in the State of São Paulo, was incorporated on March 4, 2015, and has a branch in the city of Dracena, in the state of São Paulo.

The Company's corporate purpose is the generation and sale of electric energy, from solar photovoltaic matrix to the national interconnected system (SIN) for the supply of electricity, through the photovoltaic power plant called "UFV Dracena IV" located in the municipality of Dracena, state of São Paulo.

Management expects that from June 2019, the Company will start generating revenues from the sale of power in accordance with the reserve power agreement signed between DRACENA IV and CCEE (Brazilian Chamber of Electric Commerce).

2. Summary of Major Accounting Policies

2.1. Compliance statement

The main accounting policies applied in preparing these financial statements are set out below. These policies were consistently applied in the fiscal years presented, unless otherwise indicated.

2.2. Basis of preparation

The financial statements were prepared and are being submitted in accordance with accounting practices adopted in Brazil, including pronouncements issued by the Accounting Standards Committee (CPC). The preparation of the financial statements requires using certain critical accounting estimates and also exercising the judgment, by the Company's Management, in the process of applying the accounting policies.

The issuance of these individual financial statements was authorized by the Board of Officers on January 31, 2019.

2.3. Foreign currency conversion

a) Functional currency and presentation currency

The items included in the financial statements are measured according to the currency of the primary economic environment in which the Company operates (functional currency). The financial statements are presented in thousands of Reais, which is the Company's functional currency.

b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. The foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities expressed in foreign currency at exchange rates at the end of the year are recognized in the income statement.

Foreign exchange gains and losses are presented in the statement of income as financial income or expense, when applicable.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

2.4. Current and non-current classification

Assets and liabilities in the balance sheet are classified as current when held mainly for trading and when expected to be realized within 12 months after the reporting period. Other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are classified in non-current assets and liabilities, when applicable.

2.5. Cash and cash equivalents

Cash and cash equivalents include cash money, bank deposits and other short-term high liquidity investments with original maturity of up to three months (with insignificant risk of change in value) and balances in guaranteed accounts.

2.6. Financial instruments

- a) Concentration of credit risk: The financial instruments that potentially subject the Company to credit risk concentrations primarily consist of cash and cash equivalents and accounts receivable. The Company maintains current bank accounts with financial institutions approved by Management in accordance with objective criteria for the diversification of credit risks.
- b) Accounting value and fair value of financial instruments: The book values of the Company's financial instruments on December, 31 2018 and 2017 represent the amortized cost, and the amounts accounted for are close to market values. The Company does not operate with derivative financial instruments or with similar risk instruments. The Company's financial assets and liabilities are cash and cash equivalents, accounts receivable, loans and suppliers.
- c) Compensation of Financial Instruments: The assets or financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the company has the legal right to offset the amounts and intends to liquidate on a net basis or to carry out the asset and liquidate the liability simultaneously.

2.7. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

2.8. Provisions for *impairment* losses on non-financial assets, except inventories.

Assets subject to depreciation or amortization will be reviewed annually for impairment. When there is evidence of impairment, the book value of the asset (or cash-generating unit to which the asset has been allocated) is tested. A loss is recognized at the amount at which the carrying amount of the asset exceeds its impairment.

For the years 2018 and 2017, the company had no evidence of impairment.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

2.9. Loans

They are initially recognized at the transaction value and subsequently stated at amortized cost and interest expenses are recognized based on the long-term effective interest rate method of the loan so that on the maturity date the carrying amount corresponds to the amount due.

Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date and interest is recognized as an integral part of the qualifying assets up to the period that is assets are available to operate.

2.10. Suppliers

Accounts payable to suppliers are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method, when applicable.

2.11. Provisions

They are recognized when: the Company has a present or non-formalized obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the value can be safely estimated.

2.12. Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is presented net of taxes, returns, rebates and discounts, when applicable.

The Company recognizes revenue whenever the amount of such revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and whenever specific criteria have been met for each of Company's activities as described below:

a) Interests revenue

Interest income of a financial asset is recognized when it is probable that future economic benefits will flow to the Company and the amount of revenue can be reliably measured. Interest income is recognized using the straight line method based on the time and the effective interest rate on the principal outstanding amount, with an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset in relation to the initial net book value of this asset.

2.13. Taxation

Corporate Income Tax and Social Contribution on Net Income are calculated according to standards established for determination of Presumed Profit.

Income tax is calculated with a presumption of 32% on service revenues and 8% on sales revenue, generally plus other revenues, at the rate of 15% and the additional 10% when the calculation basis exceeds BRL 60,000.00 in the quarter, while the social contribution is calculated with a presumption of 32% on service revenue and 12% on sales revenue, generally plus other revenues, at the rate of 9% recognized by the cash regime.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

2.14. Adjustment to present value

Current monetary assets and liabilities, when relevant, and long-term assets and liabilities, are adjusted to their present value. The adjustment to present value is calculated taking into account the contractual cash flows and the respective interest rate, explicit or implicit. The interest included in the revenues, expenses and costs associated to said assets and liabilities are adjusted to the appropriate recognition in accordance with the accrual basis. The adjustment to present value is recorded under the headings, subject to the application of the standard, and has as its counterpart the item "financial result".

The Company has assessed whether short- and long-term monetary assets and liabilities are subject to valuation at present value, and considering the immateriality, concludes that there are no assets and liabilities that should be adjusted to present value.

2.15. Continuity

The financial statements were prepared in the ordinary course of business. Management reviews the Company's ability to continue its activities during the preparation of the financial statements. The Company is in compliance with the debt clauses at the date of issuance of these financial statements and Management has not identified any material uncertainties regarding the Company's ability to continue its activities in the next 12 months.

3. Statement of Cash Flows

The statement of cash flows was prepared using the indirect method. The following items have been removed from the statement because they have no cash effect.

	(Not audited)	
	2018	2017
Fixed Asset Adjustment	-	30,607
Total	-	30,607

4. Cash and Cash Equivalents

The balances of cash and cash equivalents are as follows:

	(Not audited)	
	2018	2017
Banks	207,398	633,571
Total	207,398	633,571

5. Advances

The balances of advances and prepaid expenses are below:

	(Not audited)	
	2018	2017
Advances to Suppliers	2,905,123	-
Advance for Future Import	324,740	-
Anticipated Expenses	114.556	-
Total	3,344,419	-

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

6. Taxes Recoverable

The breakdown of taxes and contributions receivable is below:

	(Not audited)	
	2018	2017
IRPJ Negative Balance	8,520	8,436
Total	8,520	8,436

IRPJ tax credit is increased by the SELIC interest rate, and may be offset against any taxes managed by the Brazilian Internal Revenue Service, through PERDCOMP.

7. Provision of IR and CS

The amount calculated for income tax (IRPJ) and social contribution (CSLL) on presumed income in the period is below:

	(Not audited)	
	2018	2017
Social contribution	7,685	-
Income tax	15,339	-
Total	23,024	-

8. Related Parties

a) Current Assets

The breakdown of the loan granted to related parties is below:

			(Not audited)	
			2018	2017
<u>Company</u>	<u>Currency</u>	<u>Parameters</u>	<u>Amount</u>	<u>Amount</u>
DRACENA I	Reais	n.a.	140,000	-
DRACENA II	Reais	n.a.	1,000	-
Total			141,000	-

9. Fixed Assets

The breakdown of the fixed assets is below:

	(Not audited)			
	Balance as of Dec, 31 2017	Acquisition	Depreciation	Balance as of Dec, 31 2018
Construction services	275,736	5,374,065	-	5,649,801
Machinery and Equipment	-	31,642,238	-	31,642,238
Loan costs	-	345,856	-	345,856
Total	275,736	37,362,159	-	37,637,895
Cost	275,736			37,637,895
Accumulated Depreciation	-			-
Net Fixed Assets	275,736			37,637,895

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(Amounts in Brazilian Reais - BRL)

The Company's fixed assets are comprised of the photovoltaic solar energy substation known as the UFV DRACENA IV project, under construction in the municipality of Dracena, in the state of São Paulo.

Fixed assets in progress are recorded at construction cost incurred up to the balance sheet date plus the portion of central government expenses and direct expenses with personnel and labor of third parties related to the project.

The financial charges on the debentures issued by the holding company to finance the execution of the project are recognized as an integral part of the qualifying asset until the period in which this asset is available to operate.

10. Suppliers

The breakdown of the suppliers is below:

	2018	(Not audited) 2017
BIOSAR BRASIL ENERGIA	788,209	-
CISA TRADING S.A.	7,659	-
CONSTRUTIVO COM.	4,002	-
DESENVOLVIMENTO SISTEMAS CONSULTORIA, PLANEJAMENTO E ESTUDOS AMBIENTAIS	14,039	-
EREN DO BRASIL PARTICIPAÇÕES E CONSULTORIA	1,477,500	-
JAIRO CORREIA AUGUSTO DA SILVA	4,667	-
PS PUBLICIDADE E SERVIÇOS LTDA	4,685	-
PREMOLDADOS PANORAMA EIRELI	2,405	-
OTHER SUPPLIERS	4,139	8,658
	2,307,305	8,658

11. Taxes Payable

The breakdown of the taxes payable is below:

	2018	(Not audited) 2017
IRRF tax	25,412	53
ISS (Service Tax)	16,907	67
INSS	55,957	-
WITHHELD CONTRIBUTIONS	7,119	194
PIS/COFINS	-	2,230
Total	105,395	2,544

12. Capital Stock

The capital share on December 31, 2018, paid in national currency, in the amount of five million, twenty-six thousand, eighty-seven reais (BRL 5,026,087), is represented by five million, twenty six thousand, eighty-seven (5,026,087) nominative common shares with no par value, at the issuance price of one Brazilian real (BRL 1) each.

DRACENA IV PARQUE SOLAR S.A.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

13. Advance for future capital increase

The balance of thirty-four million, forty-one thousand, five hundred and forty-five Brazilian reais (BRL 34,041,545), recorded as an advance for future capital increase.

Company	Curren	(Not audited)	
		2018	2017
		Amount	Amount
Eren Dracena Participações Ltda	Reais	34,041,545	-
Total		34,041,545	-

14. General Expenses

The breakdown of general expenses by nature is below:

	(Not audited)	
	2018	2017
Administrative Expenses	(115,977)	(23,998)
Taxes and Fees	(1,043)	(2,473)
Services Taken	(90,222)	(23,431)
Total	(207,242)	(49,902)

15. Financial Income

The breakdown of the financial income is below:

	(Not audited)	
	2018	2017
Financial Revenue		
Financial investment income	120	47,974
Interest Income	84	-
Hedge	85,179	-
Financial Expenses		
Bank Expenses	(1,974)	(3.138)
Charges for late payments	(10,480)	(1.721)
Net Financial Result	72,929	43,115

Hedge refers to an agreement for derivative transactions with Banco BNP Paribas Brasil S.A. for the exchange protection of imports of assets, in the form of a single currency term, without physical delivery (NDF) No. 540530665, duly registered in B3 S.A. – Brasil, Bolsa, Balcão.

DRACENA IV PARQUE SOLAR S.A.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

16. Financial Instruments and Risk Management

The fair value of the Company's principal financial assets and liabilities were determined through information available in the market. The following are the Company's main financial instruments:

- Cash and cash equivalents - stated at book value, which management considers to be equivalent to its fair value;
- Other accounts receivable and payable - are classified as held-to-maturity, and are recorded at their original amounts, plus monetary restatement when applicable.

There are no transactions with derivative financial instruments as of December 31, 2018.

a) Capital risk management

To continue its activities and simultaneously maximize the return of its members, the Company manages its capital by optimizing the balance between loan and capital.

b) Liquidity risk management

The Company manages its liquidity risk through the management of its reserves, bank funds and loans and continually monitors its cash flows through the contrast between projections and current cash flows to adjust the maturity of financial assets and liabilities.

c) Credit risk

Credit risk is mainly due to cash and cash equivalents. The Company normally operates with first-tier banks and, therefore, does not consider credit risk to be substantial.

d) Interest rate risk

In order to meet its investment needs, the Company borrowed fixed rate loans indexed to the CDI, whose eventual fluctuations are monitored by Management.

17. Insurance Coverage

The Company maintains insurance policies contracted with some of the country's main insurers, which have been defined by expert guidance, and considers the nature and degree of risk involved. As of December 31, 2018, the Company had insurance coverage as described below:

a) Insurance for building, supplying or providing services:

The purpose of this insurance is to guarantee to the insured the "Electric Energy Trading Chamber - CCEE", up to the amount fixed in the policy, of any damages that may be incurred as a result of the default of the borrower "DRACENA IV Parque Solar S.A." regarding the obligations assumed in the DRACENA IV photovoltaic system, originated from the announcement of the auction 08/2014 (Reserve Energy) - ANEEL, Process no. 48500.003640/2014-71, for the National Interconnected System (SIN) in the Regulated Contracting Environment (ACR) 514/2011 as MME Ordinance no. 514/2011 and its amendments, in accordance with Clause 1 - Object of such public notice, effective as of September, 1 2018 to December, 21 2019 and with the insured amount of six million, four hundred and sixteen thousand Brazilian Reais (BRL 6,416,000.00).

DRACENA IV PARQUE SOLAR S.A.

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EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

ENDED DECEMBER 31, 2018 and 2017

(Amounts in Brazilian Reais - BRL)

18. Subsequent Events

We disclose in the sequence some events occurring after December 31, 2018 that we understand that they do not impact on changes in the 2018 numbers but are within the subsequent CPC 24 event definition.

- Provision of advances for future capital increase made by Eren Dracena Participações, in the amount of BRL 25,390,571.
- Liquidation of the importation of solar panels, in the amount of BRL 2,970,743.
- Settlement of imports of metal structures (Trackers), in the amount of BRL 4,030,067.

Executive Board

Gabriela Autilio Ianhez
Leandro Kenji Kawahira

Accountant

Luiz Flávio Cordeiro da Silva
CRC-1RJ 075.793/O-8 "T" SP – Accountant
Domingues e Pinho Contadores Ltda.
CRC-2SP 024.226/O-4