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EREN DRACENA PARTICIPAÇÕES S.A.

Individual and Consolidated Financial Statements on December 31, 2019

RT No. 034 / 2020

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RT 034 / 2020

INDEPENDENT AUDITOR'S REPORT IN THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Officers and Shareholders of

EREN DRACENA PARTICIPAÇÕES S.A.

São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of EREN DRACENA PARTICIPAÇÕES S.A. ("Company"), which comprise the balance sheet as of December 31, 2019 and the related statements of income, changes in 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 individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of EREN DRACENA PARTICIPAÇÕES S.A., on December 31, 2019, 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 individual and consolidated 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 individual and consolidated 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 individual and consolidated 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 individual and consolidated 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 individual and consolidated financial statements, our responsibility is to read the Management Report and, in so doing, to consider whether this report is materially inconsistent with the individual and consolidated 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 individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated 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 individual and consolidated financial statements free of material misstatement, whether caused by fraud or error.

In preparing the individual and consolidated 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 individual and consolidated 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 individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that the individual and consolidated 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 individual and consolidated 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 individual and consolidated 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 individual and consolidated financial statements, including disclosures and whether the individual and consolidated 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, March 15th 2020.

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

EREN DRACENA PARTICIPAÇÕES S.A.
CNPJ: 30.017.051/0001-97
STATEMENT OF FINANCIAL POSITION AS AT
DECEMBER 31, 2019 AND 2018
(in Brazilian Reais – BRL)

		PARENT COMPANY		CONSOLIDATED	
	Note	**2019**	**2018**	**2019**	**2018**
ASSETS					
CURRENT					
Cash and cash equivalents	3	7.897.197	146.478.807	19.760.650	148.395.095
Accounts receivables	4	-	-	7.613.338	-
Related parties		3	3	3	3
Prepayment to suppliers	5	1.557	-	2.804	6.328.973
Taxes and contributions to recover	6	482.843	-	501.680	29.082
Other current assets		-	-	177.234	962.886
		8.381.600	**146.478.810**	**28.055.709**	**155.716.039**
NONCURRENT					
Investments	7	278.276.487	91.617.298	-	-
Property, Plant and Equipment (PP&E)	8	8.172	9.108	274.994.702	89.750.173
Right-of-use	9	-	-	32.701.155	-
Intangible	10	11.787.826	1.505.298	11.787.827	1.505.299
Goodwill	7	34.309.612	34.309.612	34.309.612	34.309.612
		324.382.097	**127.441.316**	**353.793.296**	**125.565.084**
TOTAL ASSETS		**332.763.697**	**273.920.126**	**381.849.005**	**281.281.123**

EREN DRACENA PARTICIPAÇÕES S.A.
CNPJ: 30.017.051/0001-97
STATEMENT OF FINANCIAL POSITION AS AT
DECEMBER 31, 2019 AND 2018
(in Brazilian Reais – BRL)

	Note	PARENT COMPANY		CONSOLIDATED	
		2019	2018	2019	2018
LIABILITY					
CURRENT					
Suppliers accounts payable	11	133	17.406.760	13.154.750	24.438.510
Taxes and contributions payable	12	5.661	4.180	184.573	296.527
Finance Leasing	9	-	-	1.293.134	-
Income tax and social contribution		-	-	342.782	36.897
		5.794	**17.410.940**	**14.975.239**	**24.771.934**
NONCURRENT					
Finance Leasing	9	-	-	33.621.482	-
Debentures	13	268.174.525	193.235.000	268.174.526	193.235.000
Deferred taxes	14			494.377	
		268.174.525	**193.235.000**	**302.290.385**	**193.235.000**
Total Liability		**268.180.319**	**210.645.940**	**317.265.624**	**218.006.934**
EQUITY					
Capital	15	71.875.141	64.110.683	71.875.141	64.110.683
Advance for future capital increase	16	1	1	1	1
Accumulated losses		(7.291.764)	(836.498)	(7.291.764)	(836.498)
		64.583.378	**63.274.186**	**64.583.378**	**63.274.186**
Interest of non-controllers		-	-	3	3
Total equity		**64.583.378**	**63.274.186**	**64.583.381**	**63.274.189**
TOTAL LIABILITY AND NET EQUITY		**332.763.697**	**273.920.126**	**381.849.005**	**281.281.123**

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

EREN DRACENA PARTICIPAÇÕES S.A.
CNPJ: 30.017.051/0001-97
STATEMENT OF INCOME FOR THE YEAR FOR THE YEARS
ENDED AT DECEMBER 31, 2019 AND 2018
(in Brazilian Reais - BRL)

		PARENT COMPANY		CONSOLIDATED	
	Note	**2019**	**2018**	**2019**	**2018**
Operating expenses					
Income from sales and services	17	-	-	18.691.730	-
Cost of sales and services	18	-	-	(9.424.791)	(7.664)
Gross profit		**-**	**-**	**9.266.939**	**(7.664)**
Operating expenses					
General expenses	19	(691.965)	(338.609)	(5.519.769)	(880.168)
Equity equivalence		277.259	(481.978)	-	-
Profit (loss) before financial income		**(414.706)**	**(820.587)**	**3.747.170**	**(887.832)**
Financial expenses	20	(7.848.485)	(15.985)	(11.840.270)	(55.654)
Financial revenues	20	1.807.925	74	2.218.866	143.964
Financial income		**(6.040.560)**	**(15.911)**	**(9.621.404)**	**88.310**
Loss before income tax and social contribution		**(6.455.266)**	**(836.498)**	**(5.874.234)**	**(799.522)**
Social Contribution		-	-	(216.710)	12.917
Income tax		-	-	(364.322)	24.060
Loss for the year		**(6.455.266)**	**(836.498)**	**(6.455.266)**	**(836.498)**

Assignable:		
Parent Company	**(6.455.265)**	**(836.497)**
Non-controllers	**(1)**	**(1)**
Loss for the year	**(6.455.266)**	**(836.498)**

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

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

EREN DRACENA PARTICIPAÇÕES S.A.
CNPJ: 30.017.051/0001-97
STAMTEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED AT DECEMBER 31, 2019 AND 2018
(in Brazilian Reais - BRL)

	Capital	**Capital to be Paid**	**Advance for future capital increase**	**Accumulated losses**	**Interest of non-controllers**	**Total**
Subscription of Capital	64.110.684	-	-	-	-	64.110.684
Capital to be Paid	-	(64.110.684)	-	-	-	(64.110.684)
Advance for future capital increase	-	64.110.683	1	-	-	64.110.684
Loss for the year	-	-	-	(836.498)	-	(836.498)
Balances at December 31, 2018	**64.110.684**	**(1)**	**1**	**(836.498)**	**-**	**63.274.186**
Increase of Capital	7.764.457	(7.764.457)	-	-	-	**-**
Capital payment	-	7.764.458	-	-	-	**7.764.458**
Advance for future capital increase	-	-	-	-	-	**-**
Loss for the year	-	-	-	(6.455.266)	-	**(6.455.266)**
Balances at December 31, 2019	**71.875.141**	**-**	**1**	**(7.291.764)**	**-**	**64.583.378**
Interest of non-controllers					**3**	**3**
Total Equity	**71.875.141**	**-**	**1**	**(7.291.764)**	**3**	**64.583.381**

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

EREN DRACENA PARTICIPAÇÕES S.A.
CNPJ: 30.017.051/0001-97
STATEMENT OF CASH FLOWS FOR THE YEARS
ENDED AT DECEMBER 31, 2019 AND 2018
(in Brazilian Reais - BRL)

	PARENT COMPANY		CONSOLIDATED	
	2018	**2019**	**2018**	**2019**
Cash Flows from Operating Activities				
Loss For The Year	**(836.498)**	**(6.455.266)**	**(799.521)**	**(5.874.233)**
Adjustments of expenses and revenues that do not involve cash resources:				
Depreciation	251	936	251	7.442.899
Amortization	-	240.568	-	240.568
Financial leasing interest	-	-	-	2.948.776
Interest in the subsidiary income	481.977	(277.259)	-	-
	(354.270)	**(6.491.021)**	**(799.270)**	**4.758.011**
Changes in Current Capital:				
Accounts receivables	-	-	-	(7.613.338)
Advances and prepaid expenses	-	(1.557)	(7.291.860)	7.111.821
Taxes to recover	-	(482.843)	(5.116)	(472.597)
Suppliers	17.406.760	(17.406.627)	24.412.249	(11.283.760)
Taxes payable	4.180	1.481	284.319	482.779
	17.410.940	**(17.889.546)**	**17.399.592**	**(11.775.095)**
From Operations				
Income tax and social contributions	-	-	(81)	(375.506)
Paid leasing	-	-	-	(1.993.052)
Net Cash From (used in) Operating Activities	**17.056.670**	**(24.380.567)**	**16.600.241**	**(9.385.642)**
Cash Flows from Investing Activities				
Acquisition of subsidiaries	(126.408.888)	(186.381.930)	(126.408.888)	(235.656.900)
Acquisition/Write-off of PP&E	(9.359)	-	(87.730.887)	(142.154.721)
Acquisition/ Write-off of Intangible	(1.505.299)	(10.523.096)	(1.505.299)	(10.523.096)
Net Cash From (Used in) Investing Activities	**(127.923.546)**	**(196.905.026)**	**(215.645.074)**	**(388.334.717)**
Cash Flow from Financing Activities				
Issuance of Capital Shares	64.110.683	7.764.457	153.548.574	73.868.093
Advance for Future Capital Increase	-	-	-	120.278.294
Debenture	193.235.000	74.939.526	193.235.000	74.939.526
Net Cash From (Used in) Financing Activities	**257.345.683**	**82.703.983**	**346.783.574**	**269.085.913**
Increase (decrease) in cash and cash equivalents	**146.478.807**	**(138.581.610)**	**147.738.741**	**(128.634.446)**
Change in cash and cash equivalents				
At the end of the year	-	146.478.807	656.355	148.395.096
At the end of the year	146.478.807	7.897.197	148.395.096	19.760.650
	146.478.807	**(138.581.610)**	**147.738.741**	**(128.634.446)**

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

1. Operations

A EREN DRACENA PARTICIPAÇÕES S.A. ("Company" or “EREN DRACENA”) , when mentioned together with its subsidiaries, is a privately held corporation, through its investees, whose main activity is the generation and commercialization of electric energy, from a photovoltaic solar matrix to the national interconnected system (sistema interligado nacional - “SIN”) headquartered in São Paulo, in the state of São Paulo, formed on March 23, 2018, controlled by Eren Group, a French group that produces independent energy (IPP) from renewable energy sources, besides being active in other segments of energy and water.

In October 2018, the Company's corporate type was transformed from a limited liability company to a corporation, with a focus on article 220 et seq. of Law 6404/76, and as a result of that determination, its corporate name was renamed from Eren Dracena Participações Ltda. to Eren Dracena Participações S.A. (hereinafter referred to as "Company"). Each one (1) quota was converted into 1 (one) common, nominative share with no par value and, therefore, the quotaholders became shareholders.

2. Summary of Significant Accounting Policies

2.1. Statement of compliance

The most significant accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies were consistently applied to the years presented, unless otherwise stated.

2.2. Basis of preparation

The financial statements were prepared and presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC). Their preparation requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the accounting policies.

The Company’s Management authorized the issuance of the Eren Dracena and its subsidiaries’ (“the Group”) consolidated financial statements for the years ended December 31,2019 on January 31, 2020.

2.3. Consolidation

The following accounting policies were applied in the preparation of the consolidated financial statements, which include the financial statements of the Company and the following subsidiaries: (i) Dracena I Parque Solar S.A.; (ii) Dracena I Parque Solar S.A., and (iii) Dracena IV Parque Solar S.A.:

a) Subsidiaries

Subsidiaries are all entities (including structured entities) in which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation is interrupted from the date on which the Group ceases to have control.

The identifiable assets acquired, and liabilities and contingent liabilities assumed for the acquisition of subsidiaries in a business combination are initially measured at fair values on the acquisition date. The Group recognizes the non-controlling interest in the acquiree, both at fair value and at the proportional portion of the non-controlling interest in the fair value of net assets of the acquiree. The measurement of the non-controlling interest is determined on each acquisition made. Costs related to the acquisition are recorded in income for the year as incurred.

Unrealized transactions, balances and gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. The subsidiaries' accounting policies are changed where necessary to ensure consistency with the policies adopted by the Group.

b) Loss of control in subsidiaries

When the Group ceases to have control, any interest retained in the entity is measured at its fair value, and the change in carrying amount is recognized in the income statement. Amounts previously recognized in other comprehensive income are reclassified to income.

The Group's share of the profits or losses of its subsidiaries is recognized in the income statement and the share of changes in reserves is recognized in the Group's reserves. When the Group's share of losses of a subsidiary is equal to or exceeds the book value of the investment, including any other receivables, the Group does not recognize additional losses, unless it has incurred obligations or made payments on behalf of the associate or joint subsidiary.

c) Investments in the individual financial statements

In the individual financial statements, subsidiaries are evaluated by the equity method. The same adjustments are made both in the individual financial statements and in the consolidated financial statements to arrive at the same result and equity attributable to PARENT COMPANY shareholders.

2.4. Foreign Currency Translation

a) Functional and Presentation Currency

The items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in Brazilian Real (“R$” or “BRL”), which is the Company’s functional and presentation currency.

b) Operations and Balance

Transactions in foreign currency are translated using the exchange rate at the date of the transaction. The foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at year end are recognized in the income statement.

Exchange gains and losses are reported in the income statement as financial income or expense, where applicable.

2.5. 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 disclosure period. Other assets and liabilities are classified as non-current. Deferred tax assets and liabilities are classified in noncurrent assets and liabilities.

2.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at hand, bank deposits, other short-term highly liquid investments with original maturities of up to three months (with insignificant risk of change in value) and balances in escrow accounts.

2.7. Financial instruments

a) Credit risk concentration: Financial instruments that potentially subject the Company to credit risk concentrations consist primarily of cash and cash equivalents and Trades receivable. The Company holds checking accounts with financial institutions approved by Management in accordance with objective criteria for credit risks diversification.

b) Book value and fair value of financial instruments: The carrying amounts of the Company's financial instruments as of Dec-31-2019 and 2018 represent the amortized cost, and the amounts assessed 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, Trades receivable, loans and suppliers.

c) Offsetting of financial instruments: Financial assets and liabilities are offset and the net amount and presented in the balance sheet when, and only when, there is a legal right to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.8. Investment in subsidiaries

a) Goodwill

Goodwill derives from the acquisition of a subsidiary and represents the excess of (i) the consideration transferred, (ii) the value of the non-controlling interest in the acquired and (iii) the fair value on the acquisition date of any previous equity interest in the acquired over the fair value of the identifiable net assets acquired. If the total consideration transferred, the non-controlling interest recognized and the previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of an advantageous purchase, the difference is recognized directly in the income statement.

2.9. Property, plant and equipment

Property, plant, and equipment are stated at cost value less depreciation and losses from accumulated impairment.

2.10. Provision for impairment in nonfinancial assets, except for inventory

Assets subject to depreciation or amortization are reviewed annually for impairment. When an impairment loss is evidenced, the carrying amount of asset (or cash-generating unit to which the asset has been recorded) is tested. A loss is recognized at the amount at which the carrying amount of the asset exceeds its impairment.

The Company had no evidence of impairment loss for the years ended 2019 and 2018.

2.11. Intangible Assets

a) Loan cost

Costs of loans directly attributable to the acquisition, construction or production of a qualifying asset are part of the cost of that asset. The Company incurs interest and other costs in relation to the loans being costs that could be avoided if the expenses with the asset had not been realized. When the entity borrows funds specifically intended to acquire a qualifying asset, the loan costs directly attributable to the qualifying asset can be promptly identified and added to that asset.

2.12. Loans

They are initially recognized at transaction value and then stated at amortized cost and interest expenses are recognized based on the effective long-term interest rate method of the loan in such a way that on maturity date the book balance 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 a twelve-month period after the balance sheet date and interest are recognized as an integral part of the qualifying asset until the period in which it is available to operate.

2.13. Suppliers

Accounts payable to suppliers are initially recognized at fair value and then measured at amortized cost through the effective interest rate method, where applicable..

2.14. Provisions

They are recognized when the Company (i) has a present legal or constructive obligation as a result and past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

2.15. Revenue recognition

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

The Company recognizes revenue when: (i) the amount of revenue can be reliably measured; (ii) it is probable that any future economic benefit associated with the item of revenue will flow to the entity; and (iii) each of the Company's activities meet specific criteria, as follows:

a) Interest revenue

Interest revenue 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 revenue is recognized using the straight-line method based on time and the effective interest rate on the principal outstanding amount and the effective interest rate that discounts exactly estimated future cash receipts through the expected life of the financial asset in relation to the initial net book value of this asset.

2.16. Taxation

(a) In the Parent Company

The Corporate Income Tax and the Social Contribution on Net Profit are calculated according to the rules established for the calculation of the Real Profit.

(in Brazilian Reais – BRL

The provision for income tax and social contribution is based on taxable income for the year. The taxable profit differs from the profit reported in the income statement because it excludes taxable or deductible revenues or expenses in other years, in addition to excluding items that are not taxable or not deductible on a permanent basis. The provision for income tax and social contribution is calculated at the effective rates at the end of the year.

(b) In the subsidiaries

Corporate Income Tax and Social Contribution on Net Profit are calculated according to the rules established for the calculation of Presumed Profit.
Income tax is calculated with a presumption of 32% on service revenues and 8% on sales revenues, plus other revenues, at the rate of 15% and an additional 10% when the calculation basis exceeds BRL 60,000.00 in the quarter, while social contribution is calculated with a presumption of 32% on service revenues and 12% on sales revenues, plus other revenues, at the rate of 9%, recognized by the cash basis.

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 considering the contractual cash flows and its respective interest rate, explicit or implicit. The interest embedded in the revenues, expenses and costs associated with these assets and liabilities are adjusted to the appropriate recognition in accordance with the accrual basis. The recognition of the adjustment to present value is recorded under the headings, subject to application of the standard, and has a corresponding entry under the heading "financial income".

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

2.17. Continuity

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

3. Cash and Cash Equivalents

Cash and cash equivalents are stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	**2018**	**2019**	**2018**
Banks	2.073	146.478.807	986.973	148.395.095
Investments	7.895.124	-	18.773.677	-
Total	**7.897.197**	**146.478.807**	**19.760.650**	**148.395.095**

Investments are fixed income, held with first-tier financial institutions, and may be redeemed at any time, according to the Company's working capital requirements. These investments are substantially related to Bank Certificates of Deposit (CDB), indexed to a market rate based on a percentage variation of 95% and 96% of the Interbank Deposit Certificate (CDI). And investment funds with average rates of 5.6130% and 4.9192%.

(in Brazilian Reais – BRL

4. Accounts receivables

Trades received from clients are stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	2018	2019	2018
Câmara de Com. de Energia Elétrica - CCEE	-	-	7.613.338	-
Total	**-**	**-**	**7.613.338**	**-**

5. Prepayment to suppliers

The prepayment to suppliers was as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	2018	2019	2018
Weg S.A.	-	-		2.150.452
Jinko Solar Co Ltd.	-	-		3.805.145
Miscellaneous	1.557	-	2.804	373.376
Total	**1.557**	**-**	**2.804**	**6.328.973**

6. Taxes and contributions to recover

The taxes and contributions to recover balance is stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	2018	2019	2018
Corporate Income Tax Credit	482.843	-	499.241	25.035
INSS	-	-	2.439	2.438
Withheld contributions	-	-	-	1.609
Total	**482.843**	**-**	**501.680**	**29.082**

7. Investments

	Shares	Profit share of the invested	Income of the invested	2019	2018
DRACENA I **(a)**	100%	86.460.259	(52.357)	86.460.259	16.338.128
DRACENA II **(b)**	100%	84.917.978	562.045	84.801.977	36.375.663
DRACENA IV **(c)**	100%	106.898.250	(232.429)	107.014.250	38.903.507
		278.276.487	**277.259**	**278.276.487**	**91.617.298**

Goodwill	**2019**	**2018**
DRACENA I	11.019.496	11.019.496
DRACENA II	11.287.420	11.287.420
DRACENA IV	12.002.696	12.002.696
	34.309.612	**34.309.612**

The goodwill value refers to the fair value of the assets ("Fair Value") related to the acquisitions of Dracena I Parque Solar SA, Dracena II Parque Solar SA, and Dracena IV Parque Solar SA in 2018. This value was calculated based on the future cash flows of SPEs that already had signed Energy Purchase and Sale contracts in the Regulated Contracting Environment (CCEAR).

a) DRACENA I PARQUE SOLAR S.A investment

The Company holds 99.99% of the capital of the publicly held company DRACENA I PARQUE SOLAR S.A., headquartered in São Paulo, which operates in the generation and sale of electric energy, from the photovoltaic solar matrix to the national interconnected system (SIN) for the supply of electric energy. Its substation of electric energy of solar photovoltaic origin called UFV DRACENA I project had its construction concluded in 2019.

On December 31, 2019, the Company recorded a loss amounting to BRL 52,357 (fifty-two thousand, three hundred and fifty-seven Brazilian Reais) on the investments.

b) DRACENA II PARQUE SOLAR S.A investment

The Company holds 99.99% of the capital of the publicly held company DRACENA II PARQUE SOLAR S.A, headquartered in São Paulo, which operates in the generation and sale of electric energy, from the photovoltaic solar matrix to the national interconnected system (SIN) for the supply of electric energy. Its substation of electric energy of solar photovoltaic origin called UFV DRACENA II project had its construction concluded in 2019.

On December 31, 2019, the Company recorded a gain amounting to BRL 562,045 (five hundred and sixty-two thousand and forty-five Brazilian Reais) on the investments.

c) DRACENA IV PARQUE SOLAR S.A investment

The Company holds 99.99% of the capital of the publicly held company DRACENA IV PARQUE SOLAR S.A, headquartered in São Paulo, which operates in the generation and sale of electric energy, from the photovoltaic solar matrix to the national interconnected system (SIN) for the supply of electric energy. Its substation of electric energy of solar photovoltaic origin called UFV DRACENA IV project had its construction concluded in 2019.

On December 31, 2019, the Company recorded a loss amounting to BRL 232,249 (two hundred thirty-two thousand, two hundred forty-nine Brazilian Reais) on the investments.

The investment amounts were determined by the equity method by applying the percentage of the investing Company's interest in the capital of the invested companies, on the value of their shareholders' equity, less unrealized profits.

(in Brazilian Reais – BRL

8. Property, Plant and equipment (PP&E)

The PP&E are stated as follows:

(a) **At the Parent Company**

	Rate	Balance at Dec-31-2018	Acquisition	Depreciation	Balance at Dec-31-2019
Furniture and fixture	10	9.108	-	(936)	8.172
Total		**9.108**	**-**	**(936)**	**8.172**
Cost		9.359			9.359
Accumulated depreciation		(251)			(1.187)
Net PP&E		**9.108**			**8.172**

(b) At the Consolidated

	Rate	Balance at Dec-31-2018	Acquisition	Transfer	Depreciation	Balance at Dec-31-2019
Furniture and fixtures	10	9.108	-	-	(936)	8.172
Civil Works Services		17.866.734	-	(17.866.734)	-	-
Machinery and Equipment		70.872.184	-	(70.872.184)	-	-
Loan Costs		1.002.147	-	(1.002.147)	-	-
Asset for replacement		-	789.793	-	-	789.793
Photovoltaic panels		-	-	105.235.403	(2.104.709)	103.130.694
Power combination boxes		-	-	520.227	(10.405)	509.822
Cubicle		-	-	1.454.236	(29.085)	1.425.151
Solar energy plant		-	-	66.311.296	(1.265.981)	65.045.315
Connection infra structure		-	-	10.755.930	(215.118)	10.540.812
Trackers		-	-	51.096.239	(1.021.885)	50.074.354
Inverters		-	-	21.294.881	(1.064.534)	20.230.347
Electric transformer		-	-	21.733.631	(432.927)	21.300.704
Loan costs		-	-	1.979.120	(39.582)	1.939.538
Total		**89.750.173**	**789.793**	**190.639.897**	**(6.185.162)**	**274.994.702**
Cost		89.750.424				281.180.115
Accumulated Depreciation		(251)				(6.185.413)
PP&E, Net		**89.750.173**				**274.994.702**

(in Brazilian Reais – BRL

The Company's assets are composed of the substations for solar photovoltaic electricity known as UFV DRACENA I, UFV DRACENA II, UFV DRACENA IV projects under construction in the municipality of Dracena, in the state of São Paulo.

Property, plant and equipment in progress are recorded at the construction cost incurred until the balance sheet date plus the portion of central administration expenses and direct personnel and third-party workforce expenses related to the project.

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

Management defined the useful life of the electric power substations, based on their expertise, in 10 years for inverters and 25 years for the other intems. Depreciation started on 7/1/2019, when the assets became available for use.

9. Right of use / Finance leasing

The book values of recognized rights-of-use assets and transactions during the period are as follows:

	Real Estate	**Total**
At January 1, 2018	**-**	**-**
Addition	33.958.892	**33.958.892**
Depreciation	(1.257.737)	**(1.257.737)**
At December 31, 2019	**32.701.155**	**32.701.155**

The book value of the assets of leasing liabilities and the operations of for the year are as follows:

	2019	**2018**
At January 1	**-**	**-**
Additions	33.958.892	-
Accrual of interest	2.948.776	-
Payments	(1.993.052)	-
At December 31	**34.914.616**	**-**
Current	**1.293.134**	**-**
Non-current	**33.621.482**	**-**

(in Brazilian Reais – BRL

10. Intangible

The intangible assets are stated as follows:

	Balance at Dec-31-2018	Acquisition / Transfers	Amortization	Acquisition
Projects/Costs/Loans	-	12.028.395	(240.568)	11.787.827
Interest on loans	1.505.298	(1.505.298)	-	-
Total	**1.505.298**	**10.523.097**	**(240.568)**	**11.787.827**
Cost	1.505.298			12.028.395
Accumulated amortization	-			(240.568)
Intangible, net	**1.505.298**			**11.787.826**

The Company's intangible assets consist of costs with loans acquired and with the issuance of debentures to finance the construction of electric power substations of solar photovoltaic origin of its investees, called UFV DRACENA I, UFV DRACENA II and UFV DRACENA IV projects, under construction in the municipality of Dracena, in the state of São Paulo. They are being recognized as an integral part of the qualifying asset until the period in which this asset is available to operate.

11. Suppliers

The suppliers and other accounts receivables are stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	**2018**	**2019**	**2018**
Cobra Brasil	-	17.380.000	-	17.380.000
Biosar Brasil	-	-	5.126.016	2.498.740
Câmara de Comércio de Energia Elétrica - CCEE	-	-	3.344.062	-
Coelba	-	-	465.012	-
Eren do Brasil Part. e Consultoria	-	-	2.061.000	4.432.500
Cisa Trading	-	-	542.554	-
Straction Brasil	-	-	785.044	-
Hispasol 2NB Brasil	-	-	291.882	-
Suppliers payable– Miscellaneous	133	26.760	539.180	127.270
Total	**133**	**17.406.760**	**13.154.750**	**24.428.510**

(in Brazilian Reais – BRL

12. Taxes payable

The taxes payable is stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	**2018**	**2019**	**2018**
IRRF	1.012	1.019	5.000	77.435
ISS	-	-	91	20.612
INSS	-	-	25.072	171.952
Withheld taxes	3.136	3.158	18.581	26.185
PIS/COFINS	1.513	3	135.829	3
Other	-	-	-	340
Total	**5.661**	**4.180**	**184.573**	**296.527**

13. Debentures

The debentures are stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	**2018**	**2019**	**2018**
Premium at the Issuance of Debentures	268.174.525	193.235.000	268.174.526	193.235.000
Total			**268.174.52**	**193.235.000**

The debentures were issued with Banco BNP Paribas Brasil S.A. as the leading financial intermediary institution, Planner Trustee Distribuidora de Títulos e Valores Mobiliários Ltda. as the fiduciary agent, Dracena I Parque Solar S.A., Dracena II Parque Solar S.A. and Dracena IV Parque Solar S.A. as guarantors and Banco Citibank S.A. as settling and custodian bank , celebrated in November 2018 the private instrument of deed of the first issuance of simple, non-convertible, unsecured debentures, with additional real and fiduciary guarantee, under a combined regime, in four series, for public distribution, with restricted efforts, of Eren Dracena Participações S.A., which through the deed of issue, the issuer issued a total of 250,000.00 (two hundred and fifty thousand) debentures, amounting to BRL 250,000,000.00 (two hundred and fifty million Brazilian Reais).

14. Deferred taxes

The taxes payable are stated as follows:

	2019	**2018**
IRPJ	134.267	-
CSLL	82.224	-
PIS	49.486	-
COFINS	228.400	-
Total	**494.378**	**-**

15. Capital

The capital at December 31, 2019 paid up in Brazilian currency amounting to BRL 71,875,141 (seventy-one million, eight hundred and seventy-five thousand, one hundred and forty-one Brazilian Reais) is represented by 71,875,141 (seventy-one million, eight hundred and seventy-five thousand, one hundred and forty-one) registered common shares with no par value, at an issue price of BRL 1.00 (one Brazilian Real) each.

	2019	
	Membership Units	**Value**
EREN DO BRASIL PART E CONS ENERGIA LTDA	1	1
TOTAL EREN	71.875.140	71.875.140
	71.875.141	**71.875.141**

	2018	
	Membership Units	**Value**
EREN DO BRASIL PART E CONS ENERGIA LTDA	1	1
TOTAL EREN	64.110.683	64.110.683
	64.110.684	**64.110.684**

16. Advance for future capital increase

The remaining balance of the capital increases by Total Eren, recorded in the Extraordinary Shareholders' Meeting of December 18, 2008 and January 17, 2009 at BRL 1 (one Brazilian Real), is recorded as an advance for future capital increase with no defined limit to be incorporated into the Company's capital.

17. Net Revenue

Net equity is stated as follows:

	2019	**2018**
Revenue from produced energy – PPA	15.433.217	-
Revenue from produced energy – MCP	3.198.371	-
Revenue from produced energy - Floating	768.206	-
Taxes on revenue	(708.064)	-
Total	**18.691.730**	**-**

(in Brazilian Reais – BRL

18. Energy sales cost

The costs with sales of energy registered at income as follows:

Costs of sales and services	2019	2018
. Electric energy	(35.305)	-
. Third party services	(1.174.632)	-
. Leasing and rents	(1.267.737)	-
. Depreciation	(6.424.794)	-
. Taxes and fees	(124.289)	(7.664)
. Other costs	(147.095)	-
. Insurance	(250.939)	-
Total	**(9.424.791)**	**(7.664)**

19. General expenses

The general expenses by nature are stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	2018	2019	2018
Trading Expenses	-	-	(4.212.645)	-
Taxes and fees	(198.756)	(244.292)	(264.566)	(245.873)
Purchased services	(221.294)	(76.837)	(826.578)	(346.799)
Depreciation	(936)	(251)	-	-
Amortization	(240.568)	-	-	-
General and administrative	(30.411)	(17.229)	(214.375)	(287.245)
Other Operating revenues (expenses)	-	-	(1.605)	(251)
	(691.965)	**(338.609)**	**(5.519.769)**	**(880.168)**

20. Financial Income

The financial income is stated as follows:

	PARENT COMPANY		CONSOLIDATED	
	2019	2018	2019	2018
Financial revenue				
Revenue from investment	1.806.427	-	1.849.771	120
Interest revenue	1.498	-	37.769	1.101
Exchange variation	-	-	272.270	-
Other financial revenue	-	74	59.056	142.743
	1.807.925	**74**	**2.218.866**	**143.964**
Financial expenses				
Bank Expenses	(8.416)	(15.308)	(22.680)	(21.557)
Exchange variation	-	-	(598.083)	-
Charges on overdue payments	(3.864)	(677)	(32.414)	(34.097)
Financial Leasing	-	-	(2.948.775)	-
Expense with Debentures	(7.830.701)	-	(7.830.701)	-
Other financial expenses	(5.504)	-	(407.617)	-
	(7.848.485)	**(15.985)**	**(11.840.270)**	**(55.654)**
Financial Income, Net	**(6.040.560)**	**(15.911)**	**(9.621.404)**	**88.310**

21. Contingencies

The Company, based on the opinion of its internal and external legal advisors, does not have any contingency classified as probable or possible, for provisioning or disclosure.

22. Financial Instruments and Risk Management

The market value assigned to the significant financial assets and liabilities of the Company were set based on the information available in the market. he most significant financial instruments of the Company are:

a. Cash and cash equivalents - recognized at book value, which the Company's Management understands to be equivalent to its fair value;
b. Other accounts receivable and payable - recorded as held-to-maturity and recognized at original value plus inflation adjustment, when applicable.

The Company did not hold derivative financial instruments at December 31, 2019.

a) Capital risk management

The Company manages its capital through the optimization of the balance between loan and capital in order to continue its activities and, simultaneously, maximize the return of its partners.

b) Liquidity Risk Management

The Company manages its liquidity risk through the management of its reserves, bank funds and loans and continuously 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

The credit risk derives mainly from cash and cash equivalents. The Company usually operates with first-tier banks and, therefore, does not consider the credit risk to be substantial.

d) Interest rate risk

The Company contracted loans with fixed interest rates and indexed to the CDI to meet its investment needs, whose eventual fluctuations are monitored by the Company's Management.

23. CPC 06 (R2) - Leasing operations

The CPC 06 (R2) was issued in December 2017 and replaces CPC 06 Leasing Operations. CPC 06 establishes the principles for the recognition, measurement, presentation, and evidencing leases and requires lessees to account for all leases under a single model in the balance sheet.

This standard became effective on January 1, 2019. The Company may choose to apply the standard using the full retrospective adoption method or a modified retrospective approach. The transitional provisions of the standard allow certain exemptions.

The Company's management analyzed the Company's lease contracts and decided that it is not subject to the application of CPC 06 (R5) since there is no fixed price in the land lease contracts and there is no record of use if there are no fixed or minimum payments since the payments are conditioned to the energy generation function.

24. Subsequent Events

a) Settlement and issue of new debentures

In February 2020, Eren Dracena Participações paid all existing debentures and issued BRL 280,000,000.00 in new debentures.

b) COVID-19

The Company's Management considered as a relevant fact, under CPC 24, the need for projections and estimates related to the risks of COVID-19, and concluded that no material effects were identified to the reporting date of these financial statements.

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