Individual and Consolidated Financial Statements

EBES Sistemas de Energia S.A.

December 31, 2018
with Independent Auditor’s Report

EBES Sistemas de Energia S.A.

Individual and Consolidated Financial Statements

December 31, 2018

Contents

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil.

Independent auditor's report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Officers of
EBES Sistemas de Energia S.A.

Opinion

We have audited the individual and consolidated financial statements of EBES Sistemas de Energia S.A. (the "Company"), identified as individual and consolidated, respectively, which comprise the statement of financial position as at December 31, 2018 and the statements of profit or loss, of comprehensive income (loss), of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of EBES Sistemas de Energia S.A. as at December 31, 2018, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to small and medium-sized companies (NBC – TG 1000).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of individual and consolidated financial statements section of our report. We are independent of the Company in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to small and medium-sized companies (NBC TG 1000) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s and subsidiaries’ financial reporting process.

Auditor’s responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the overall individual and consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Campinas, April 12, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Cristiane Cléria S. Hilário
Accountant CRC-1SP243766/O-8

EBES Sistemas de Energia S.A.

Statements of financial position
December 31, 2018 and 2017
(In thousands of reais)

		Individual		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Assets					
Current assets					
Cash and cash equivalents	4	**22,787**	51,459	**27,409**	51,470
Trade accounts receivable	5	**6,708**	24,815	**6,919**	24,815
Inventories	6	**7,701**	21,255	**7,701**	21,255
Taxes recoverable	7	**1,386**	1,100	**1,403**	1,102
Other receivables		**356**	2,340	**511**	2,346
Total current assets		**38,938**	100,969	**43,943**	100,988
Noncurrent assets					
Restricted cash	8	**-**	-	**6,482**	-
Trade accounts receivable	5	**315**	128	**315**	128
Transactions with related parties	9	**24,724**	5,061	**67**	4
Taxes recoverable	7	**7,977**	5,000	**7,977**	5,000
Judicial deposits		**152**	152	**152**	152
Investments	10	**43,209**	-	**41**	-
Property, plant and equipment	11	**5,303**	2,326	**91,662**	6,075
Intangible assets	12	**6,412**	1,933	**6,974**	1,933
Total noncurrent assets		**88,092**	14,600	**113,670**	13,292
Total assets		**127,030**	115,569	**157,613**	114,280

	Note	Individual 2018	Individual 2017	Consolidated 2018	Consolidated 2017
Liabilities and equity					
Current liabilities					
Trade accounts payable	13	**8,024**	26,410	**8,973**	26,417
Loans and financing, and derivative financial instruments	14	**5,813**	25,100	**8,128**	25,100
Labor obligations and related charges	15	**4,338**	2,414	**4,347**	2,414
Advances from customers	16	**5,437**	4,315	**5,437**	4,315
Tax obligations		**104**	675	**538**	675
Total current liabilities		**23,716**	58,914	**27,423**	58,921
Noncurrent liabilities					
Loans and financing, and derivative financial instruments	14	**2,665**	-	**29,262**	-
Provision for losses on subsidiaries	10	**-**	1,296	**-**	-
Provision for contingencies	17	**8**	91	**287**	91
Total noncurrent liabilities		**2,673**	1,387	**29,549**	91
Equity					
Capital	18	**157,017**	89,903	**157,017**	89,903
Goodwill reserve	18	**2,211**	2,211	**2,211**	2,211
Accumulated losses		**(58,587)**	(36,846)	**(58,687)**	(36,846)
Total equity		**100,641**	55,268	**100,641**	55,268
Total liabilities and equity		**127,030**	115,569	**157,613**	114,280

See accompanying notes.

EBES Sistemas de Energia S.A.

Statements of profit or loss
Years ended December 31, 2018 and 2017
(In thousands of reais)

		Individual		Consolidated	
	Note	2018	2017	2018	2017
Net operating revenue	19	**99,085**	43,466	**76,700**	43,466
Cost of sales	20	**(91,712)**	(37,838)	**(67,679)**	(37,838)
Gross profit		**7,373**	5,628	**9,021**	5,628
Other operating income/(expenses)					
General and administrative expenses	20	**(27,968)**	(23,651)	**(28,116)**	(24,205)
Other operating expenses, net	20	**(1,930)**	(443)	**(1,930)**	(443)
Equity pickup	10	**1,427**	(555)	**-**	-
		(28,471)	(24,649)	**(30,046)**	(24,648)
Loss before finance income/(costs)		**(21,098)**	(19,021)	**(21,025)**	(19,020)
Finance income	21	**1,974**	1,345	**2,298**	1,346
Finance costs	21	**(2,617)**	(430)	**(2,677)**	(432)
		(643)	915	**(379)**	914
Loss before income and social contribution taxes		**(21,741)**	(18,106)	**(21,404)**	(18,106)
Income and social contribution taxes		**-**	-	**(337)**	-
Loss for the year		**(21,741)**	(18,106)	**(21,741)**	(18,106)

See accompanying notes.

EBES Sistemas de Energia S.A.

Statements of comprehensive income (loss)
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Loss for the year	**(21,741)**	(18,106)	**(21,741)**	(18,106)
Comprehensive income (loss) for the year	**(21,741)**	(18,106)	**(21,741)**	(18,106)

See accompanying notes.

EBES Sistemas de Energia S.A.

Statements of changes in equity
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Note	Subscribed capital	Goodwill reserve	Accumulated losses	Total equity
Balances at December 31, 2016		40,394	2,211	(18,757)	23,848
Capital increase	18	49,510	-	-	49,510
Loss for the year		-	-	(18,089)	(18,089)
Balances at December 31, 2017		89,904	2,211	(36,846)	55,269
Capital increase	18	**67,113**	**-**	**-**	**67,113**
Loss for the year		**-**	**-**	**(21,741)**	**(21,741)**
Balances at December 31, 2018		**157,017**	**2,211**	**(58,587)**	**100,641**

See accompanying notes.

EBES Sistemas de Energia S.A.

Statements of cash flows
Years ended December 31, 2018 and 2017
(In thousands of reais)

		Individual		Consolidated	
	Note	**2018**	**2017**	**2018**	**2017**
Cash flow from operating activities					
Loss for the year		**(21,741)**	(18,106)	**(21,741)**	(18,106)
Adjustments to reconcile loss for the year to net cash used in operating activities:					
Depreciation and amortization	20	**819**	649	**982**	686
Losses on property, plant and equipment disposed of	11	**55**	80	**55**	80
Allowance for doubtful accounts	5	**1,594**	250	**1,594**	250
Provision for inventory losses	6	**-**	608	**-**	608
Provision for realization of taxes recoverable	7	**324**	411	**324**	411
Provision for tax, civil and labor contingencies	17	**8**	91	**287**	91
Loan and financing charges	14	**1,702**	100	**2,227**	100
Equity pickup	10	**(1,426)**	555	**-**	-
Changes in operating assets and liabilities:					
Trade accounts receivable		**16,327**	(22,510)	**16,116**	(22,510)
Inventories		**13,553**	(19,692)	**13,553**	(19,692)
Taxes recoverable		**(3,587)**	(4,828)	**(3,602)**	(4,830)
Judicial deposits		**-**	(20)	**-**	(20)
Other receivables		**1,983**	(2,090)	**1,835**	(2,096)
Restricted cash		**-**	-	**(6,482)**	-
Trade accounts payable		**(18,386)**	25,792	**(17,444)**	25,783
Labor obligations		**1,924**	1,301	**1,933**	1,301
Taxes payable		**(571)**	545	**200**	545
Provisions and contingencies		**(91)**	-	**(91)**	-
Interest paid		**(1,753)**	-	**(1,991)**	-
Taxes paid		**-**	-	**(337)**	-
Advances from customers		**1,122**	3,942	**1,122**	3,942
Net cash used in operating activities		**(8,144)**	(32,922)	**(11,460)**	(33,457)
Cash flows from investing activities					
Acquisition of property, plant and equipment, and intangible assets	11 and 12	**(8,329)**	(1,247)	**(91,663)**	(5,036)
Investments in subsidiaries	10	**(43,036)**	539	**-**	-
Investments in associates	10	**(41)**	-	**(41)**	-
Net cash used in investing activities		**(51,406)**	(708)	**(91,704)**	(5,036)
Cash flows from financing activities					
Assignment of intercompany loans		**(19,665)**	(4,878)	**(65)**	(4)
Loans and financing raised	14	**(16,571)**	25,000	**12,054**	25,000
Share guarantee option		**-**	17	**-**	17
Capital payment	18	**67,114**	49,510	**67,114**	49,510
Net cash provided by financing activities		**30,878**	69,649	**79,103**	74,523
Net increase (decrease) in cash and cash equivalents		**(28,672)**	36,019	**(24,061)**	36,030
Cash and cash equivalents at beginning of year		**51,459**	15,440	**51,470**	15,440
Cash and cash equivalents at end of year		**22,787**	51,459	**27,409**	51,470
Increase (decrease) in cash and cash equivalents		**(28,672)**	36,019	**(24,061)**	36,030

See accompanying notes.

1. Operations

EBES Sistemas de Energia S.A. (“Company” or “EBES”), established on February 17, 2011, is primarily engaged in provision of development, advisory and engineering services in projects involving thermal, mechanic and solar energy systems and electromechanical equipment, as well as commercial representation, distribution, import, export, manufacture, sale, installation, civil construction works, and maintenance and rental of equipment for energy systems.

The Company holds interest in other companies, participates in projects relating to the Company's business purpose, in the form of consortia, condominiums or cooperatives and/or other legal structures that have no distinct corporate personality, and structures and takes part in distributed energy generation projects relating to the Net Metering System regulated by Brazilian Electricity Regulatory Agency (ANEEL).

The main offices of the Company are located at Av. Alexander Graham Bell, 200, Bloco D, Módulo D.03 e D.04, Techno Park, Campinas and its corporate name is Órigo Energia.

The Company continuously seeks business opportunities in various renewable energy segments and currently has four major business lines:

Rooftop – comprises project design and development, sale of Photovoltaic Solar Power Generators (GSF) and respective installation for the final customer, either individuals or legal entities.

KIT – comprises sale and distribution of GSFs to corporate customers (integrators). The integrator is the company that installs the GSF for its final customers.

Special Projects – project design and development, sale of GSFs and respective installation for the final customer, either individuals or legal entities. This business unit usually involves highly complex and challenging engineering projects.

Solar Farm – construction of Photovoltaic Power Plants (UFV) for sale of distributed generation to various customers.

EBES invested R$91,000 in solar power generation plants in 2018, aiming at serving from 800 to 1200 customers in the state of Minas Gerais. In 2018, only one photovoltaic plant was in operation whereas all others were in pre-operational phase. When these photovoltaic plants enter into operation, the Company expects to achieve operating income (expenses) balance. Additionally, the Company has already begun building five new photovoltaic plants (UFV) and prospecting other locations for new plants to be built.

1. **Operations** (Continued)

As a result of these additional investments, the Company expects to serve from 2,100 to 3,000 customers in this new business unit in 2019.

The Company has branches in Sumaré, state of São Paulo, where its general warehouse is located, and in Porto de Moz, state of Pará, organized for the specific purpose of complying with the terms of the agreement entered into between the Company and Centrais Elétricas do Pará S.A. (“Celpa”).

In 2017, the Company and Celpa entered into an agreement for the supply of 2,334 individual electric power systems with intermittent energy sources for customers located in Extractive Reserve Verde para Sempre, in the municipality of Porto de Moz, which belongs to Celpa concession area. The Company began delivering these systems in the end of 2017 and billed almost 100% of these systems in 2018. In January 2019, the remaining 22 systems were billed.

The Company has control over other companies, whose operations are summarized as follows:

Finco Assessoria Financeira Ltda. (“Finco”) is primarily engaged in rental and/or lease, provision of preventive and corrective maintenance services, and training of personnel turned to operation of solar power generation equipment (photovoltaic generators), in addition to holding interest in other companies, as a partner, member or shareholder. This company did not operate in 2018 and holds interest in other companies of the Group.

Companies engaged in developing, studying, implementing, operating and exploring solar power plants, as well as developing activities directly or indirectly relating to performance of these electric power generation activities, including sale, lease, rental or any other form of provision of energy generation assets. These subsidiaries are as follows:

João Pinheiro Solar Ltda. (“João Pinheiro”): commenced its energy generation and collection operations in 2018. This farm has energy generation capacity of 1.2 MWp.

- Tiradentes Geração de Energia Solar Ltda. (“Tiradentes”): organized in 2017, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- Sagarana Geração de Energia Solar Ltda. (“Sagarana”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- Janaúba Floresta Geração de Energia Solar Ltda. (“Janaúba”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 2.5 MWp.

1. Operations (Continued)

- Francisco de SA II Geração de Energia Solar Ltda. (“Francisco de SA II”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- Janaúba II Geração de Energia Solar Ltda. (“Janaúba II”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- Manga I Geração de Energia Solar Ltda. (“Manga I”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- Pampulha Geração de Energia Solar Ltda. (“Pampulha”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- Mato Verde Geração de Energia Solar Ltda. (“Mato Verde”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- São Francisco III Geração de Energia Solar Ltda. (“São Francisco III”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.
- São Francisco Angicos Geração de Energia Solar Ltda. (“São Angicos”): organized in 2018, is currently in pre-operational phase. This farm has energy generation capacity of 5 MWp.

EBES Administradora de Consórcio Ltda. (“EBES Administradora”) is primarily engaged in general management of distributed generation consortiums, under the shared power generation type, as regulated by Aneel, including all acts inherent in this role. This subsidiary began operating in 2017 and holds interest in other companies of the Group.

Subsidiary EBES Administradora is the leader and member of consortiums together with other consortium members, participating in the Net Metering System - shared generation type – relating to power that will be generated by the Group companies that have a solar power plant. In December 2018, these consortiums were as follows:

- Consórcio Inconfidentes, which entered into an asset rental agreement for a period of 25 years with João Pinheiro.
- Consórcio Tiradentes, which will enter into an asset rental agreement for a period of 25 years with Tiradentes.
- Consórcio Sagarana, which will enter into an asset rental agreement for a period of 25 years with Sagarana.

1. Operations (Continued)

- Consórcio Pampulha, which will enter into an asset rental agreement for a period of 25 years with Francisco SA II.
- Consórcio Libertas, which will enter into an asset rental agreement for a period of 25 years with Pampulha.

2. Preparation and presentation of financial statements

2.1. Statement of compliance

The individual and consolidated financial statements are prepared and presented in accordance with the accounting practices adopted in Brazil, applicable to small and medium-sized companies (NBC TG 1000), in consonance with accounting pronouncement PME – Accounting for Small and Medium-sized Companies, issued by the Brazilian FASB (CPC), approved by Brazil's National Association of State Boards of Accountancy (CFC).

Management represents that all significant information included in the individual and consolidated financial statements, and only such information, is evidenced and corresponds to the information used by management for managing the Company's activities.

Authorization to issue these financial statements was provided by the Board of Directors on April 12, 2019.

2.2. Basis of preparation

The individual and consolidated financial statements were prepared under the historical cost convention, unless otherwise indicated.

2.3. Going concern considerations

Based on the facts and circumstances existing until the date when these financial statements were authorized, management assessed the Company's ability to continue as a going concern and is convinced that the Company is able to generate funds in order to continue as a going concern in the future. Additionally, management is not aware of any material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, these financial statements were prepared using the going concern basis of accounting.

2. Preparation and presentation of financial statements (Continued)

2.3. Going concern considerations (Continued)

This statement is based on management's expectation relating to the future of the Company, which is consistent with its business plan. Throughout the year, the Company routinely prepares business plans, comprising annual or multi-annual budgets, which contain detailed information on capital investment plans, strategic plans and Company facilities maintenance programs. These plans are monitored over the year by Company Board of Directors and may be changed.

2.4. Functional and reporting currency

These individual and consolidated financial statements are presented in thousands of reais (R$), which is the Company's functional currency.

2.5. Basis of consolidation and investments in subsidiaries and associates

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is obtained when the Company holds, directly or indirectly, the majority of voting rights, or is exposed or entitled to variable return based on its involvement with the investee and can affect these returns through the power used in the investee.

Information on Company subsidiaries at year end is as follows:

		Interest held - %	
Name of subsidiary	**Core activity**	**2018**	**2017**
Finco Assessoria Financeira Ltda.	Provision of preventive and corrective maintenance services relating to operations of solar power generation equipment	**100**	99.90
João Pinheiro Solar Ltda.	Leases of photovoltaic solar power generation units	**99.99**	99.90
EBES Administradora de Consórcios Ltda.	Consortium management services	**99.90**	99.90
Tiradentes Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.99**	99.90
Sagarana Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
Pampulha Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-

(In thousands of reais - R$, unless otherwise stated)

2. Preparation and presentation of financial statements (Continued)

2.5. Basis of consolidation and investments in subsidiaries and associates (Continued)

Name of subsidiary	Core activity	Interest held - % 2018	Interest held - % 2017
Manga Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
Francisco de SA II Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
Janaúba Floresta Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
Janaúba II Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
São Francisco III Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
Mato Verde Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-
São Francisco Angicos Geração de Energia Solar Ltda.	Leases of photovoltaic solar power generation units	**99.90**	-

The consolidated financial statements were prepared under the following criteria:

Elimination of intercompany balances;

Elimination of investments and equity pickup in the consolidated companies against respective equity of the investee;

Elimination of revenues and expenses deriving from intercompany transactions;

Elimination of profit from inventories and PPE disposed of, where applicable, upon intercompany sales;

Calculation of noncontrolling interests in consolidated equity and P&L.

The consortiums in which EBES Administradora acts as leader are not included in the consolidated financial statements.

2. Preparation and presentation of financial statements (Continued)

2.6. Summary of significant accounting policies

Significant accounting policies and practices are described in the corresponding explanatory note, except those presented below, which refer to more than one note. Accounting policies and practices were consistently applied for the years presented and in the Company's individual and consolidated financial statements.

2.6.1. Inventories

Inventories are measured at the lower of cost or net realizable value.

Cost is recognized under the first in, first out (FIFO) method, in which the Company values inventories for each entry and the costing of product sales or shipping uses the value of the oldest inventory lot.
Inventory cost includes expenses incurred upon inventory acquisition, production and transformation costs and other expenses incurred to bring the items to their locations and existing conditions.

2.6.2. Property, plant and equipment

Property, plant and equipment (PPE) items are measured at historical acquisition or build-up cost, less accumulated depreciation and accumulated impairment losses, when necessary. Professional fees and, in the case of qualifying assets, costs of capitalized loans are recorded as part of costs of PPE in progress. These items are classified into their appropriate PPE categories, when concluded and ready for their intended use. Depreciation of these assets begins when they are ready for their intended use on the same basis as other PPE items.

2.6.3. Revenue recognition

Sales of products

The Company recognizes revenue from products sold when all of the following conditions are met:

The Company has transferred to the buyer the most significant risks and rewards inherent in ownership of the products;

2. Preparation and presentation of financial statements (Continued)

2.6. Summary of significant accounting policies (Continued)

2.6.3. Revenue recognition (Continued)

Sales of products (Continued)

The Company does not continuously participate in the management of products sold in a to an extent usually associated with property nor does it keep effective control over these products; the revenue amount may be reliably estimated;

Economic benefits associated with the transactions are likely to flow to the Company;

Costs incurred or to be incurred relating to the transaction may be reliably measured.

Services provided

When the revenue amount of a transaction involving provision of services may be reliably estimated, the Company recognizes revenue associated with this transaction by reference to the stage of transaction execution at year end (also referred to as percentage of completion method). The transaction result may be reliably estimated when all of the following conditions are met:

The revenue amount may be reliably measured;

Economic benefits associated with the transaction are likely to flow to the Company;

The stage of transaction completion at end of the reference period may be reliably measured;

Costs incurred with the transaction or costs to complete the transaction may be reliably measured.

When the transaction result involving provision of services may not be reliably estimated, the Company recognizes revenue only to the extent that the expenses recorded may be recovered.

2. Preparation and presentation of financial statements (Continued)

2.6. Summary of significant accounting policies (Continued)

2.6.4. Financial instruments

Financial assets or liabilities

The Company and its subsidiaries recognize a financial asset or liability when they become party to the contractual provisions of these instruments. Financial assets or liabilities recognized are measured at operation cost (including transaction costs, except upon initial recognition of financial assets and liabilities, which are subsequently measured at fair value through profit or loss).

At the end of each reporting period, the Company and its subsidiaries measure financial instruments as follows:

- Debt instruments are measured at amortized cost, using the effective interest rate method.
- Loan receivable commitments are valued based on cost less impairment;

Derivative financial assets or liabilities

The Company recognizes a derivative financial asset or a financial liability only when the Company becomes party to the contractual provisions of the instrument. Upon initial recognition of derivative financial assets or financial liabilities, the Company measures these items at fair value, which is usually transaction price.

At the end of each reference period, the Company measures all derivative financial instruments at fair value and records changes in fair value in P&L.

Derecognition

The Company and its subsidiaries write off financial assets only when:

- The contractual rights to receive cash flows from the financial asset have expired or are settled; or

2. Preparation and presentation of financial statements (Continued)

2.6. Summary of significant accounting policies (Continued)

2.6.4. Financial instruments (Continued)

Derecognition (Continued)

The Company has virtually transferred to the other party all risks and rewards inherent in ownership of the financial asset.

The Company writes off a financial liability (or a portion of a financial liability) only when this financial liability ceases to exist – i.e. when the obligation specified in the agreement is complied with, cancelled or expires.

3. Use of estimates and judgments

The preparation of the financial statements requires that Management make judgments and estimates and adopt assumptions that affect application of accounting policies and the amounts disclosed referring to assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The estimates and assumptions presented below are reviewed on an ongoing basis. The effects of revised accounting estimates are recognized in the year or period when the estimates are revised, if such review affects only that year or period, or also later years or periods, if the review affects future years.

In order to provide an understanding of how the Company and its subsidiaries make judgments about future events, including variables and assumptions used in accounting estimates, our comments on certain matters are as follows:

a) Useful lives of property, plant and equipment

The Company and its subsidiaries record depreciation of PPE items based on their estimated useful life, which is based on the Company's and its subsidiaries' practices and prior experience, and reflect the economic life of these assets. However, actual useful lives may vary depending on various factors. PPE useful lives also affect cost recovery tests.

3. Use of estimates and judgments (Continued)

b) Impairment of assets

At year end, the Company and its subsidiaries review their PPE balance and seek to identify whether or not there are any indications that these assets are impaired (value in use). If there is such indication, management performs a detailed analysis of the recoverable amount of each asset by calculating the individual future cash flow discounted to present value, and adjusts the balance of the respective asset, if required.

c) Provision for inventory realization and obsolescence

Provision for inventory realization is set up based on analysis of sale prices practiced, net of tax effects and fixed expenses incurred to sell the assets. Provision for obsolescence is set up based on an item-by-item analysis of the age of the inventory items and likelihood of their future use.

d) Allowance for doubtful accounts

Allowance for doubtful accounts was set up at an amount considered sufficient by management of the Company and its subsidiaries to cover any losses on collection of receivables.

e) Provision for civil, tax and labor contingencies

The Company and its subsidiaries are party to legal proceedings described in Note 16. Provisions are recorded for all risks referring to legal proceedings whose likelihood of loss is rated as probable and that may be reliably estimated. Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors.

f) Operating and finance leases

Upon execution of a lease agreement, management of the Company and its subsidiaries evaluates the contractual conditions and records the lease based on whether the risks and rewards inherent in ownership of the assets at issue are retained or transferred.

(In thousands of reais - R$, unless otherwise stated)

4. Cash and cash equivalents

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Bank accounts	**1,236**	129	**2,539**	140
Short-term investments (*)	**21,550**	51,330	**24,869**	51,330
	22,786	51,459	**27,409**	51,470

(*) Highly-liquid short-term investments in top-tier financial institutions, in fixed-income funds - DI, indexed at the Interbank Deposit Certificates (CDI), remunerated at rates ranging from 92% to 98% of CDI, contracted under usual market conditions and rates, available to be used in Company operations. These investments are held so as to meet short-term commitments, are readily redeemable into a known cash amount and subject to a low risk of change in value.

5. Trade accounts receivable

	Individual		Consolidated	
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Trade notes receivable	**9,035**	25,225	**9,246**	25,225
Allowance for doubtful accounts	**(1,876)**	(282)	**(1,876)**	(282)
Adjustment to present value	**(136)**	-	**(136)**	-
	7,023	24,943	**7,234**	24,943
Current	**6,708**	24,815	**6,919**	24,815
Noncurrent	**315**	128	**315**	128
	7,023	24,943	**7,234**	24,943

Company management records allowance for doubtful accounts for a portion of the amounts overdue for over 30 days for which there are indications of non-realization and that are not renegotiated.

Aging list of trade accounts receivable at December 31 is as follows:

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Falling due	**6,653**	24,397	**6,864**	24,397
Overdue:				
1 to 30 days	**484**	545	**484**	545
31 to 60 days	**111**	-	**111**	-
61 to 90 days	**231**	-	**231**	-
91 to 180 days	**864**	-	**864**	-
181 to 360 days	**692**	-	**692**	-
Above 361 days	**-**	283	**-**	283
	9,035	25,225	**9,246**	25,225

(In thousands of reais - R$, unless otherwise stated)

5. Trade accounts receivable (Continued)

	Individual		Consolidated	
	2018	2017	2018	2017
Opening balance	**(282)**	(32)	**(282)**	(32)
Additions	**(1,844)**	(250)	**(1,844)**	(250)
Reversals	**250**	-	**250**	-
Closing balance	**(1,876)**	(282)	**(1,876)**	(282)

6. Inventories

These refer to solar photovoltaic modules and frequency invertors for resale, and parts, pieces and accessories used for installing solar photovoltaic generators.

	Individual and Consolidated	
	2018	2017
Goods for resale - Sumaré branch	**7,288**	9,315
Goods for resale - Porto de Moz branch (a)	**292**	10,802
Advances to suppliers	**121**	1,138
	7,701	21,255

(a) This refers to inventories acquired to comply with Celpa agreement provisions.

	Individual		Consolidated	
	2018	2017	2018	2017
Federal VAT (IPI)	**3,816**	2,261	**3,816**	2,261
State VAT (ICMS)	**4,896**	2,740	**4,896**	2,740
Withholding Income Tax (IRRF)	**292**	287	**296**	289
Corporate Income Tax (IRPJ)	**443**	292	**443**	292
Social Contribution on Net Profit (CSLL)	**11**	10	**11**	10
Social Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**120**	165	**120**	165
Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**519**	756	**519**	756
Service Tax (ISS)	**-**	-	**13**	
(-) Provision for ICMS realization	**(734)**	(411)	**(734)**	(411)
	9,363	6,100	**9,380**	6,102
Current	**1,386**	1,100	**1,403**	1,102
Noncurrent	**7,977**	5,000	**7,977**	5,000
	9,363	6,100	**9,380**	6,102

7. Taxes recoverable (Continued)

The Company periodically analyzes the evolution of accumulated tax credits, with a view to using these credits. Management is of the understanding that these credits will be recovered in the normal course of business in the next few years.

The noncurrent balance refers to ICMS and IPI credits, which the Company does not expect to realize in the short term. The Company began an ICMS credit assessment process in order to recover these credits through the Electronic System for Accumulated Credits Management (e-CredAc), since these credits have not been used in the normal course of business. Provision for ICMS realization refers to estimated discount of 15% on the credits to be recovered.

8. Restricted cash - Consolidated

The Company maintains a restricted cash balance in its subsidiaries, as guarantee (cash collateral) for loans taken out (Note 14).

	2018	2017
João Pinheiro Solar Ltda.	**482**	-
Tiradentes Geração de Energia Solar Ltda.	**6,000**	-
	6,482	-

9. Transactions with related parties

a) Balances

These balances refer to financial loans taken out from companies and partners in common, subject to interest at CDI + 2%, formally agreed between the parties and maturing in the first half of 2020. These amounts are subject to Tax on Financial Transactions (IOF) and income tax (IR).

(In thousands of reais - R$, unless otherwise stated)

9. Transactions with related parties (Continued)

a) Balances (Continued)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Finco Assessoria Financeira Ltda.	**-**	707	**-**	-
João Pinheiro Solar Ltda.	**-**	4,346	**-**	-
EBES Administração de Consórcio Ltda.	**-**	4	**-**	-
Tiradentes Geração de Energia Solar Ltda.	**7,528**	-	**-**	-
Sagarana Geração de Energia Solar Ltda.	**17,001**	-	**-**	-
Francisco SA II Geração de Energia Solar Ltda.	**130**	-	**-**	-
Consorcio Inconfidentes	**56**	4	**58**	5
Consorcio Tiradentes	**2**	-	**2**	-
Consorcio Pampulha	**2**	-	**2**	-
Consorcio Sagarana	**5**	-	**5**	-
	24,724	5,061	**67**	5

b) Transactions

The transactions that occurred in 2018 between the Company, its partners and the consortiums refer to interests on financial loans:

	Individual	
	2018	
	Individual	**Consolidated**
Consórcio Inconfidentes	**5**	**5**
Tiradentes	**146**	**-**
Sagarana	**95**	**-**
Francisco AS II	**127**	**-**
	373	**5**

(In thousands of reais - R$, unless otherwise stated)

9. Transactions with related parties (Continued)

c) Key management personnel compensation

Key management personnel compensation for the year ended December 31, 2018 amounts to R$3,031 (R$3,682 at December 31, 2017) and includes short-term benefits such as salaries, related charges and other.

In 2018, a new share-based payment policy was implemented, to be settled in cash, whereby certain Company directors receive share valuation rights. These rights are granted to directors under certain vesting criteria and settlement depends on certain future events. As at December 31, 2018, since this plan was recently designed, Company management estimates that its effects are not significant on the Company's individual and consolidated financial statements, reason why no expense or financial liability relating thereto was recognized.

10. Investments

a) Balances

Subsidiaries	Individual		Consolidated	
	2018	2017	2018	2017
Finco Assessoria Financeira Ltda.	**249**	(704)	**-**	-
João Pinheiro Solar Ltda.	**5,817**	(589)	**-**	-
Ebes Administração de Consórcios Ltda.	**51**	(3)	**-**	-
Tiradentes Geração de Energia Solar Ltda.	**12,070**	-	**-**	-
Sagarana Geração de Energia Solar Ltda.	**9,761**	-	**-**	-
Janaúba II Geração de Energia Solar Ltda.	**482**	-	**-**	-
Manga Geração de Energia Solar Ltda.	**197**	-	**-**	-
Pampulha Geração de Energia Solar Ltda.	**705**	-	**-**	-
Francisco de SA II Geração de Energia Solar Ltda.	**13,528**	-	**-**	-
Janaúba Floresta Geração de Energia Solar Ltda.	**308**	-	**-**	-
	43,168	(1,296)	**-**	-
Associates				
Sol + Lar S.A.	**41**	-	**41**	-
	43,209	(1,296)	**41**	-

The balances of assets, liabilities, equity and P&L of subsidiaries are as follows:

(In thousands of reais - R$, unless otherwise stated)

10. Investments (Continued)

a) Balances (Continued)

Subsidiaries	Interest held in capital - %	Assets	Liabilities	Equity	P&L
Finco Assessoria Financeira Ltda.	100	249	1	248	(55)
EBES Administradora de Consórcios Ltda.	99.90	62	12	50	(46)
João Pinheiro Solar Ltda.	99.99	6,456	31	6,425	794
Tiradentes Geração de Energia Solar Ltda.	99.99	31,699	20,870	10,828	(173)
Sagarana Geração de Energia Solar Ltda.	99.90	27,153	17,392	9,761	(240)
Pampulha Geração de Energia Solar Ltda.	99.90	705	-	705	(8)
Manga Geração de Energia Solar Ltda.	99.90	207	10	197	(18)
Francisco de SA II Geração de Energia Solar Ltda.	99.90	30,438	16,911	13,528	27
Janaúba Floresta Geração de Energia Solar Ltda.	99.90	308	-	308	(19)
Janaúba II Geração de Energia Solar Ltda.	99.90	501	19	482	(19)
		97,778	55,246	42,532	243

b) Changes in investments in subsidiaries

The changes in investments in partners, presented in the individual financial are as follows:

2016 to 2017

	Opening balances - 2016	Capital absorption	Capital increase	Future capital contribution	Equity pickup	Closing balances - 2017
Finco Assessoria Financeira Ltda.	(202)	**(1)**	**-**	**-**	**(501)**	**(704)**
João Pinheiro Solar Ltda.	-	**10**			**(599)**	**(589)**
EBES Administradora de Consórcios Ltda.	-	**1**			**(4)**	**(3)**
	(202)	**10**	**-**	**-**	**(1,104)**	**(1,296)**

(In thousands of reais - R$, unless otherwise stated)

10. Investments (Continued)

b) Changes in investments in subsidiaries (Continued)

2017 to 2018

	Opening balances - 2017	Capital absorption	Capital increase	Future capital contribution	Equity pickup	Closing balances - 2018
Finco Assessoria Financeira Ltda.	(704)	**(1)**	**1,007**	**-**	**(54)**	**249**
João Pinheiro Solar Ltda.	(589)		**5,670**	**-**	**735**	**5,816**
EBES Administradora de Consórcios Ltda.	(3)	**1**	**99**	**-**	**(46)**	**51**
Tiradentes Geração de Energia Solar Ltda.	-	**-**	**11,001**	**-**	**1,069**	**12,070**
São Francisco III Geração de Energia Solar Ltda.	-	**-**	**-**	**-**	**-**	**-**
Sagarana Geração de Energia Solar Ltda.	-	**-**	**1**	**10,000**	**(240)**	**9,761**
Janaúba II Geração de Energia Solar Ltda.	-	**-**	**1**	**501**	**(19)**	**483**
Manga Geração de Energia Solar Ltda.	-	**-**	**1**	**214**	**(18)**	**197**
Pampulha Geração de Energia Solar Ltda.	-	**-**	**1**	**712**	**(8)**	**705**
Francisco de SA II Geração de Energia Solar Ltda.	-	**-**	**13,501**	**-**	**27**	**13,528**
Janaúba Floresta Geração de Energia Solar Ltda.	-	**-**	**1**	**326**	**(19)**	**308**
	(1,296)	**-**	**31,283**	**11,753**	**1,427**	**43,168**

c) Changes in investments - associates

In May 2018, the Company acquired 40% interest in Sol + Lar S.A., without obtaining control. In 2018, Sol + Lar S.A. performed no other operations and presents only cash balance deriving from capital paid up.

(In thousands of reais - R$, unless otherwise stated)

11. Property, plant and equipment

a) Balances

		Individual			
		2018			2017
	Average annual depreciation rate - %	Cost	Accumulated depreciation	Net	Net
Machinery and equipment	10	**396**	**(75)**	**321**	720
Furniture and fixtures	10	**434**	**(136)**	**298**	339
Tools	10	**127**	**(28)**	**99**	112
IT equipment	20	**648**	**(269)**	**379**	401
Leasehold improvements	20	**190**	**(168)**	**21**	138
Vehicles	20	**513**	**(242)**	**271**	433
Communication equipment	20	**112**	**(57)**	**55**	71
Facilities	10	**11**	**(3)**	**8**	6
Leased machinery and equipment	10 and 0.33	**622**	**(219)**	**404**	106
Plant under construction - Solar Farm	-	**3,447**	**-**	**3,447**	-
		6,500	**(1,197)**	**5,303**	2,326

		Consolidated			
		2018			2017
	Average annual depreciation rate - %	Cost	Accumulated depreciation	Net	Net
Machinery and equipment	10	**396**	**(75)**	**319**	4,573
Furniture and fixtures	10	**434**	**(136)**	**298**	339
Tools	10	**127**	**(28)**	**99**	112
IT equipment	20	**650**	**(270)**	**380**	403
Leasehold improvements	20	**190**	**(168)**	**21**	138
Vehicles	20	**513**	**(242)**	**271**	433
Communication equipment	20	**112**	**(57)**	**55**	71
Facilities	10	**11**	**(3)**	**8**	6
Leased machinery and equipment	10 and 0.33	**5,915**	**(418)**	**5,497**	-
Plant under construction - Solar Farm	-	**84,712**	**-**	**84,713**	-
		93,060	**(1,397)**	**91,662**	6,075

Changes in PPE in the years ended December 31, 2018 and 2017 are as follows:

(In thousands of reais - R$, unless otherwise stated)

11. Property, plant and equipment (Continued)

b) Changes

	Individual					
	2017	Additions	Write-offs	Depreciation	Transfers	2018
Machinery and equipment	826	**2**	**-**	**(41)**	**(466)**	**321**
Furniture and fixtures	339	**2**	**-**	**(43)**	**-**	**298**
Tools	112		**-**	**(13)**	**-**	**99**
IT equipment	401	**89**	**-**	**(111)**	**-**	**379**
Leasehold improvements	138	**-**	**-**	**(117)**	**-**	**21**
Vehicles	433	**-**	**(55)**	**(107)**	**-**	**271**
Communication equipment	71	**-**	**-**	**(16)**	**-**	**55**
Facilities	6	**3**	**-**	**(1)**	**-**	**8**
Leased machinery and equipment	-	**-**	**-**	**(62)**	**466**	**404**
Plant under construction - Solar Farm	-	**3,447**	**-**	**-**	**-**	**3,447**
	2,326	**3,543**	**(55)**	**(511)**	**-**	**5,303**

	Consolidated					
	2017	Additions	Write-offs	Depreciation	Transfers	2018
Machinery and equipment	4,573	**2**	**-**	**(41)**	**(4,215)**	**319**
Furniture and fixtures	339	**2**	**-**	**(43)**	**-**	**298**
Tools	112	**-**	**-**	**(13)**	**-**	**99**
IT equipment	403	**88**	**-**	**(111)**	**-**	**380**
Leasehold improvements	138	**-**	**-**	**(115)**	**-**	**23**
Vehicles	433	**-**	**(55)**	**(107)**	**-**	**271**
Communication equipment	71	**-**	**-**	**(16)**	**-**	**55**
Facilities	6	**3**	**-**	**(1)**	**-**	**8**
Leased machinery and equipment	-	**1,508**	**-**	**(226)**	**4,215**	**5,497**
Plant under construction - Solar Farm	-	**84,712**	**-**	**-**	**-**	**84,712**
	6,075	**86,315**	**(55)**	**(673)**	**-**	**91,662**

In the consolidated financial statements, additions refer mostly to construction in progress of photovoltaic generation units (solar farms) in the subsidiaries.

Management identified no indication requiring that provision for impairment of the Company's noncurrent assets be recorded.

(In thousands of reais - R$, unless otherwise stated)

12. Intangible assets

		Individual			
		2018			2017
	Average annual amortization rate - %	**Cost**	**Amortization**	**Net**	**Net**
Goodwill based on expected future profitability	10	**2,211**	**(828)**	**1,383**	1,604
Software	20	**309**	**(96)**	**213**	274
Promotion of products	20	**69**	**(39)**	**30**	55
Set Up - Solar Farm (a)	-	**4,786**	**-**	**4,786**	-
		7,375	**(963)**	**6,412**	1,933

		Consolidated			
		2018			2017
	Average annual amortization rate - %	**Cost**	**Amortization**	**Net**	**Net**
Goodwill based on expected future profitability	10	**2,211**	**(828)**	**1,383**	1,604
Software	20	**309**	**(96)**	**213**	274
Promotion of products	20	**69**	**(39)**	**30**	55
Set Up - Solar Farm (a)	-	**5,348**	**-**	**5,348**	-
		7,937	**(963)**	**6,974**	1,933

On March 31, 2015, former parent company TPG ART Participações 1 S.A. was merged into the Company, generating a goodwill reserve of R$2,211,081, based on a report prepared by independent experts, to be amortized over 10 years.

Changes in intangible assets in the years ended December 31, 2018 and 2017 are as follows:

	Individual	**Consolidated**
Balance at December 31, 2016	1,838	1,838
Acquisitions	362	362
Amortization	(267)	(267)
Balance at December 31, 2017	1,933	1,933
Acquisitions	**4,786**	**5,348**
Write-offs		
Amortization	**(307)**	**(307)**
Balance at December 31, 2018	**6,412**	**6,974**

(a) Set Up - Solar Farm balance refers to investments made to form the consortium customer portfolio.

(In thousands of reais - R$, unless otherwise stated)

13. Trade accounts payable

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Domestic suppliers	**8,024**	25,745	**8,973**	25,752
Foreign suppliers	**-**	665	**-**	665
	8,024	26,410	**8,973**	26,417

These refer to purchase of materials for preparation and development of photovoltaic solar generators, services payable and purchase of office supplies, among others.

14. Loans and financing, and derivative financial instruments

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Loans and financing (a)	**8,446**	25,100	**37,359**	25,100
Derivatives (b)	**31**	-	**31**	-
	8,477	25,100	**37,390**	25,100

(In thousands of reais - R$, unless otherwise stated)

14. Loans and financing, and derivative financial instruments (Continued)

a) Loans and financing

Individual

Type of operation	Interest rate	Currency	Maturity	2017	Amounts raised	Accrued interest	Interest paid	Principal paid	2018	Current	Noncurrent
Working capital	1.0% p.m.	Real	06/2018	25,100	**-**	**1,144**	**(1,244)**	**(25,000)**	**-**	**-**	**-**
Solar Farm Financing	4.29% p.a.	USD	12/2018	-	**7,917**	**509**	**(293)**	**(8,133)**	**-**	**-**	**-**
Working capital	3.6% p.a.	USD	06/2019	-	**4,990**	**11**	**-**	**-**	**5,001**	**5,001**	**-**
Working capital	14.68% p.a.	Real	05/2023	-	**3,705**	**217**	**(217)**	**(260)**	**3,445**	**780**	**2,665**
				25,100	**16,612**	**1,881**	**(1,754)**	**(33,393)**	**8,446**	**5,781**	**2,665**

Consolidated

Type of operation	Interest rate	Currency	Maturity	2017	Amounts raised	Accrued interest	Interest paid	Principal paid	2018	Current	Noncurrent
Working capital	1.0% p.m.	Real	06/2018	25,100		**1,144**	**(1,244)**	**(25,000)**	**-**	**-**	**-**
Solar Farm Financing	4.29% p.a.	USD	12/2018	-	**7,916**	**509**	**(292)**	**(8,133)**	**-**	**-**	**-**
Working capital	3.6% p.a.	USD	06/2019	-	**4,990**	**12**	**-**	**-**	**5,002**	**5,002**	**-**
Working capital	14.68% p.a.	Real	05/2023	-	**3,705**	**217**	**(217)**	**(260)**	**3,445**	**780**	**2,665**
Solar Farm Financing	SELIC + 6.5% p.a.	Real	08/2028	-	**7,137**	**300**	**(190)**	**-**	**7,247**	**171**	**7,076**
Solar Farm Financing	TJLP + 5.5% p.a.	Real	08/2028	-	**5,888**	**109**	**(48)**	**-**	**5,949**	**-**	**5,949**
	CDI + 5.12% p.a.	Real	10/2024	-	**15,600**	**116**	**-**	**-**	**15,716**	**2,144**	**13,572**
				25,100	**45,236**	**2,407**	**(1,991)**	**(33,393)**	**37,359**	**8,097**	**29,262**

(In thousands of reais - R$, unless otherwise stated)

14. Loans and financing, and derivative financial instruments (Continued)

a) Loans and financing (Continued)

Loans taken out for working capital purposes and Capex financing (Solar Farms' project) are guaranteed by cash collateral (40%), receivables portfolio (40%), in addition to assets, receivables and units of interest of the Special Purpose Entities (SPE).

As at December 31, 2018, the Company is in compliance with the contractual conditions agreed upon in the loan and financing agreements.

In 2018, the Company was compliant with the covenants of aforementioned loan agreements.

Loan and financing installments mature as follows:

Maturity	Individual	Consolidated
2019	**5,781**	**8,097**
2020	**780**	**3,564**
2021	**780**	**4,608**
2022	**780**	**4,951**
2023	**325**	**4,980**
2024	**-**	**5,325**
2025	**-**	**1,628**
2026	**-**	**1,628**
2027	**-**	**1,628**
2028	**-**	**950**
Total	**8,446**	**37,359**

b) Derivatives

			Receivables		Payables		
Type	Notional value	Maturity	Rate	Balance at 12/31/2018	Rate	Balance at 12/31/2018	Balance
SWAP	R$4,990 (USD1,388,407)	06/2019	**DI + 3.8% p.a.**	**5,071**	**USD + 6.45 p.a.**	**(5,102)**	**(310)**

(In thousands of reais - R$, unless otherwise stated)

15. Labor obligations and related charges

	Individual		Consolidated	
	2018	2017	2018	2017
Bonuses payable	**2,069**	1,200	**2,069**	1,200
Accrued vacation pay and related charges	**1,107**	755	**1,113**	755
Social Security Tax (INSS)	**339**	103	**340**	103
Unemployment Compensation Fund (FGTS)	**88**	69	**89**	69
Salaries payable	**485**	92	**485**	92
Other	**250**	195	**250**	195
	4,338	2,414	**4,346**	2,414

16. Advances from customers

	Individual and Consolidated	
	2018	2017
CELPA	**39**	3786
ATIBAIA	**5047**	-
Other	**351**	529
	5,437	4,315

For Rooftop, Kit and Special Projects businesses, the Company adopts a negotiation policy of at least a 25% prepayment relating to products sold.

The amount prepaid relating to Atibaia project refers to the Special Project business line, expected to be billed in the second half of 2019.

17. Provision for contingencies

Individual	Tax	Labor	Total
Balances in 2017	91	-	91
Additions	**-**	**8**	**8**
Payments	**(91)**	**-**	**(91)**
Balances in 2018	**-**	**8**	**8**

(In thousands of reais - R$, unless otherwise stated)

17. Provision for contingencies (Continued)

Consolidated	Tax	Labor	Total
Balances in 2017	91	-	91
Additions	**279**	**8**	**287**
Payments	**(91)**	**-**	**(91)**
Balances in 2018	**279**	**8**	**287**

Labor proceedings classified as possible loss amounted to R$46 in 2018.

18. Equity

a) Capital

As at December 31, 2018, Company capital amounts to R$157,017 (R$89,903 in 2017), represented by 3,656 common registered shares with no par value (2,360,956 in 2017).

As at December 31, 2018 and 2017, Company shares are held as follows:

	20 8		2017	
Shareholders	Number of shares	Interest held	Number of shares	Interest held
TPG Art I Fundo De Investimento em Participações Multiestratégia em Investimentos no Exterior	**2,334,763**	**64%**	1,506,186	64%
MOV Investimentos Ltda.	**708,116**	**19%**	603,092	26%
Sustainable Equity Investments S.A.	**141,644**	**4%**	141,644	6%
Other	**471,710**	**13%**	110,034	5%
	3,656,233	**100%**	2,360,956	100%

18. Equity (Continued)

b) Capital increase

(i) On December 29, 2017, shareholder Reni Antonio da Silva notified the Company of the exercise of 11,675 subscription warrants held by referred to shareholder, deriving from Subscription Warrant Certificate No. 03/2016, which were converted into 11,675 common registered shares with no par value. On December 29, 2017, the Subscription List referring to these shares was issued. The subscribed shared were fully paid in on January 03 and 04, 2018, for the amounts of R$190 and R$300, respectively.

(ii) On March 19, 2018, shareholder Fundo de Investimento em Participações MOV 1 notified the Company of the exercise of 105,024 subscription warrants held by this shareholder, deriving from Subscription Warrant Certificate No. 01/2016, converted into 105,024 common registered shares with no par value. On March 21, 2018, the Subscription List referring to these shares was issued. The subscribed shares were fully paid for R$4,411 on March 21, 2018.

(iii) On March 19, 2018, shareholder Paulo Roberto Bellotti notified the Company of the exercise of 1,057 subscription warrants held by referred to shareholder, deriving from Subscription Warrant Certificate No. 04/2017, which were converted into 1,057 common registered shares with no par value. On March 21, 2018, the Subscription List referring to these shares was issued. The subscribed shares were fully paid for the amount of R$44 on March 21, 2018.

(iv) On March 19, 2018, shareholder Julio Moura Neto notified the Company of the exercise of 8,752 subscription warrants held by referred to shareholder, deriving from Subscription Warrant Certificate No. 04/2016, which were converted into 8,752 common registered shares with no par value. On March 21, 2018, the Subscription List referring to these shares was issued. The subscribed shares were fully paid for the amount of R$267 on March 28, 2018.

(v) On April 03, 2018, shareholder TPG ART I Fundo de Investimento em Participações Multiestratégia notified the Company of the exercise of 503,181 subscription warrants held by this shareholder, deriving from Subscription Warrant Certificate No. 02/2016, converted into 503,181 common registered shares with no par value. On April 03, 2018, the Subscription List referring to these shares was issued. The subscribed shares were fully paid for the amount of R$21,134 on April 06, 2018.

18. Equity (Continued)

b) Capital increase (Continued)

(vi) On June 05, 2018, shareholder SAX Investimentos e Participações Eireli notified the Company of the exercise of 35,714 subscription warrants held by this shareholder, deriving from Subscription Warrant Certificate No. 01/2016, converted into 35,714 common registered shares with no par value. On June 06, 2018, the Subscription List referring to these shares was issued. The subscribed shares were fully paid for the amount of R$1,500 on June 06, 2018.

(vii) On June 15, 2018, shareholder Acuity MOV LLP notified the Company of the exercise of 59,523 subscription warrants held by this shareholder, deriving from Subscription Warrant Certificate No. 01/2016, converted into 59,523 common registered shares with no par value. On June 15, 2018, the Subscription List referring to these shares was issued. The subscribed shares were fully paid for the amount of R$2,500 on June 15, 2018.

(viii) In the Special Shareholders' Meeting held on September 24, 2018, a capital increase amounting to R$36,667 with subscription of 582,016 common registered shares with no par value was approved. The Company's fully subscribed and paid-in capital was increased to R$157,017, divided into 3,656,223 common registered shares with no par value.

c) Subscription warrants

On August 08, 2018, all shareholders that held subscription warrants signed the Agreement for Subscription Warrant Cancellation, which cancelled all subscription warrants issued by the Company, considering as condition precedent the advent of the new capitalization in the Company, by new shareholders, which occurred on September 24, 2018, as approved in the Special Shareholders' Meeting.

d) Authorized capital

Due to exercise of the right asserted in Subscription Warrant Certificates issued by the Company, authorized capital is currently comprised of 3,000,000 common registered shares with no par value. The Company's capital may be increased irrespectively of a statutory reform, by decision of the Board of Directors, who will establish the issue price and other conditions for respective subscription and payment.

(In thousands of reais - R$, unless otherwise stated)

19. Service and sales revenue, net

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Revenue from products sold	**110,629**	49,479	**85,416**	49,479
Revenue from services rendered	**2,257**	912	**1,444**	912
(-) Returns	**(2,184)**	(815)	**(2,184)**	(815)
(-) Taxes on revenue	**(11,618)**	(6,111)	**(7,976)**	(6,111)
	99,084	43,465	**76,700**	43,465

20. Costs and expenses by nature

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Raw materials, materials and third-party services	**(91,554)**	(37,824)	**(67,358)**	(37,824)
Third-party services	**(3,144)**	(5,465)	**(3,219)**	(5,961)
Employee salaries and benefits	**(18,189)**	(12,662)	**(17,902)**	(12,662)
Rental	**(1,025)**	(908)	**(1,018)**	(908)
Transportation, travel and meals	**(1,675)**	(1,115)	**(1,643)**	(1,128)
Depreciation and amortization	**(818)**	(649)	**(980)**	(686)
Tax expenses	**(649)**	(543)	**(760)**	(546)
Materials and supplies	**(824)**	(1,416)	**(824)**	(1,418)
Provision for tax contingencies	**91**	(91)	**(188)**	(91)
Provision for realization of taxes	**(324)**	(411)	**(324)**	(411)
Allowance for doubtful accounts	**(1,594)**	(250)	**(1,594)**	(250)
Other revenues and expenses	**(1,907)**	(599)	**(1,915)**	(602)
	(121,612)	(61,933)	**(97,725)**	(62,487)
Cost of services rendered and products sold	**(91,714)**	(37,839)	**(67,680)**	(37,839)
General and administrative expenses	**(27,087)**	(23,108)	**(26,844)**	(23,659)
Tax expenses	**(881)**	(543)	**(1,272)**	(546)
Other operating income (expenses), net	**(1,930)**	(443)	**(1,930)**	(443)
	(121,612)	(61,933)	**(97,725)**	(62,487)

(In thousands of reais - R$, unless otherwise stated)

21. Finance income/(costs)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Finance costs				
Bank charges	**(100)**	(16)	**(111)**	(16)
Interest, fines and discounts	**(2,151)**	(414)	**(2,200)**	(416)
Exchange losses	**(365)**	-	**(365)**	-
	(2,616)	(430)	**(2,676)**	(432)
Finance income				
Short-term investment yield	**1,381**	1,085	**1,552**	1,085
Interest receivable and discounts	**508**	199	**659**	199
Exchange gains	**85**	62	**85**	62
	1,974	1,346	**2,296**	1,346
	(642)	916	**(380)**	914

22. Income and social contribution taxes

As at December 31, 2018, income and social contribution tax losses amount to R$53,302 (R$31,180 at December 31, 2017). No deferred income and social contribution tax credits were recorded on the accumulated income and social contribution tax losses, since the Company and its subsidiaries have no history of payment of these taxes.

23. Financial instruments

Given their nature, financial instruments may involve known or not known risks, which should be assessed. Major risk factors that affect the operations of the Company and its subsidiaries are as follows:

a) Risk management structure

Management is responsible for establishing and overseeing the risk management structure, and for monitoring and analyzing the economic and financial scenarios in order to identify the risks to which the Company is exposed. Additionally, management maps potential impacts on financial or economic variables that may affect the Company, such as variations in exchange rates, interest rates and/or other indicators.

(In thousands of reais - R$, unless otherwise stated)

23. Financial instruments (Continued)

a) Risk management structure (Continued)

Risk management policies were established in order to identify and analyze exposure risks and define acceptable risk limits, and a control structure was created to monitor the risks and compliance with the limits imposed. These policies and control structure are reviewed on a regular basis.

Credit risk

This is the risk that the Company and its subsidiaries may incur losses due to failure of a customer or a counterparty to a financial instrument in complying with their contractual obligations.

Credit risk exposure

The book value of financial assets represents maximum credit risk exposure. Maximum risk exposure as at the date of the financial statements was as follows:

		Individual	
	Note	**2018**	**2017**
Cash and cash equivalents (i)	5	**22,787**	51,459
Trade accounts receivable and intercompany receivables (ii)	6 and 10	**31,747**	29,876
		54,534	81,335

		Consolidated	
	Note	**2018**	**2017**
Cash and cash equivalents (i)	5	**33,890**	51,470
Trade accounts receivable and intercompany receivables (ii)	6 and 10	**7,301**	24,819
		41,191	76,289

(i) Banks: these amounts are held in first-tier financial institutions in order to minimize the credit risk brought about by these operations.

(ii) Trade accounts receivable: management seeks to mitigate portfolio default risk by monitoring and periodically assessing its customers on a one-by-one basis.

As at December 31, 2018, the Company has approximately R$3,781 (42%) of its accounts receivable concentrated on two large customers. As at December 31, 2017, this concentration proportion was 69%.

As at December 31, 2018, sales to these two large customers amounted to R$35,736, which represented 41% of Company net revenue.

23. Financial instruments (Continued)

a) Risk management structure (Continued)

Credit risk (Continued)

Credit risk exposure (Continued)

New customer acceptance criteria include analysis of the financial condition and social-economic profile, with definition of credit limits and payment terms. Analysis of this information by the Company and its subsidiaries may include bank references.

Credit limits are established for each customer, individually, and represent the maximum exposure amount accepted for that customer. These limits are reviewed whenever necessary or requested. Customers that have no approved credit limits are only served by means of prepayment.

Market risk

This is the risk that variations in market prices such as exchange rates, interest rates and price of raw materials will affect the gains of the Company or the amount of its investment in financial instruments.

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

Exchange fluctuation risk

As at December 31, 2018 and 2017, the Company and its subsidiaries present no significant asset or liability balance denominated in foreign currency.

Interest rate risk

This risk arises from the possibility that the Company and its subsidiaries will record gains or losses due to fluctuations in the interest rates on their financial assets and liabilities. In order to mitigate this type of risk, the Company seeks to diversity its raising of funds in terms of fixed and floating rates.

23. Financial instruments (Continued)

a) Risk management structure (Continued)

Market risk (Continued)

Price risk

This risk derives from the possibility of fluctuation in market prices of the products sold or manufactured by the Company and its subsidiaries and of the other inputs used in production. These price variations may cause significant changes in revenues and costs of the Company and its subsidiaries. To mitigate these risks, the Company and its subsidiaries continuously monitor domestic markets and seek to anticipate price movements.

Liquidity risk

In managing liquidity risk, the Company and its subsidiaries monitor and maintain cash and cash equivalents at a level that is appropriate for funding the operations of the Company and its subsidiaries and mitigating the effects of cash flow variations.

The table below details the remaining contractual maturity of the Company's and its subsidiaries' financial liabilities. This table has been prepared using the undiscounted cash flows of financial liabilities based on the nearest date on which the Company and its subsidiaries should settle the related obligations. The table includes interest and principal cash flows. As interest flows are based on floating rates, the undiscounted amount was based on the interest curves at year end.

	Within 3 months	From 3 months to 1 year	Above 1 year	Total undiscounted cash flows
Trade accounts payable	8,968	5	-	8,973
Loans and financing	417	7,711	29,262	37,390

24. Subsequent events

In February 2019, the Company and its shareholders entered into an Investment Agreement, which established the terms and conditions for issue of 713,142 (seven hundred and thirteen thousand, one hundred and forty-two) new common registered shares with no par value, to be paid up by Mitsui & Co Ltda. in the amount of R$45,000. The amount corresponding to the issue and payment of the new shares is expected to occur in April 2019.