3F CAPITAL S.A.

Financial Statements
As of December 31, 2018

3F CAPITAL S.A.

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2018

CONTENT

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS
(A free translate of original in portuguese)

To the Partners and Managers of
3F Capital S.A.
Goiânia – GO, Brazil

Opinion
We have examined the individual and consolidated financial statements of 3F Capital SA ("Company"), which comprise the balance sheet as of December 31, 2018, in addition to the respective statements of income, changes in shareholders' equity and cash flows for the year ended on the date mentioned above. The corresponding explanatory notes, including the summary of the main accounting policies, are also part of this document.

In our opinion, the aforementioned financial statements present adequately, in all material respects and in accordance with international financial accounting standards, the financial position of 3F Capital SA, and the result of its operations, and its cash flows for the year ended December 31, 2018.

Basis for opinion
Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, also in accordance with such standards, are described in the section entitled "Auditor's responsibilities for auditing the financial statements". We are independent from 3F Capital S.A., in accordance with the relevant ethical principles set out in the Accountant's Code of Professional Ethics and in the professional standards issued by the Federal Accounting Council. Likewise, we comply with other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

Emphasis
We would like to highlight note 2.2.1, which mentions that, until December 31, 2017, the Company had no equity interest in any investee. Up to that date, for the purpose of jointly disclosing the financial statements of the companies that belonged to the same economic group, management has presented combined statements, which is why comparability to the consolidated financial statements mentioned in note 2.2 for the year immediately preceding was carried out based on these combined statements. There are no reservations about the matter in our opinion.

Management and governance responsibility for financial statements

The Company's management is responsible for the preparation and adequate presentation of the financial statements, in accordance with international financial accounting standards - IFRS , as well as for the internal controls considered by it to be necessary to allow the preparation of these financial statements free from material misstatement, regardless of whether caused for fraud or error.

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In preparing the financial statements, the company's management is responsible for assessing 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 accounting statements, unless management intends to liquidate the Company or cease its operations, or has no realistic alternative to avoid closing operations.

Those responsible for governance are those responsible for overseeing the process of preparing the financial statements.

Auditor's responsibility for auditing financial statements

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error and to issue an audit report containing our opinion. Reasonable security is a high level of security, but not a guarantee that the audit carried out in accordance with Brazilian and international auditing standards always detects any relevant existing distortions. The misstatements, when identified, may be due to fraud or error and are considered relevant when, individually or together, they can influence, within a reasonable perspective, the economic decisions of users made based on these financial statements.

As part of the audit carried out in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the accounting statements, whether due to fraud or error; we plan and execute audit procedures in response to such risks; we look for appropriate and sufficient audit evidence to support our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, since fraud may involve the act of circumventing internal controls, collusion, forgery, omission, or intentional misrepresentation.
- We obtain an understanding of the internal controls relevant to the audit. In this way, we are able to plan audit procedures appropriate to the circumstances, without this having the objective of expressing an opinion on the effectiveness of the Company's internal controls.
- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by management.
- Our analysis leads to a conclusion on the appropriateness of management's use of the business continuity accounting basis and, based on the audit evidence obtained, whether there is significant uncertainty regarding events or circumstances that could cause significant doubt about the Company's ability to continue operating. If we conclude that there is significant uncertainty, we will make this observation in our audit report for the respective disclosures in the financial statements or include changes in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to no longer to remain in a state of operational continuity.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (Continuation)
(A free translate of original in portuguese)

- We assessed the overall presentation, structure, and content of the financial statements, including disclosures, and also whether the financial statements represent the corresponding transactions and events in a manner consistent with the purpose of the presentation.

We were in communication with those charged with the company's governance regarding, among other aspects, the planned scope, timing of the audit, and significant audit findings, including any significant deficiencies in internal controls, if identified during our work.

Goiânia, March 18, 2019.

Otaniel Júnior Martins Rosa
Accountant CRC GO – 013.972/O-3

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Accountant CRC MG – 035.718/O-8
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CRC GO – 002.338/O-8

3F Capital S. A.

Balance sheet as of December 31, 2018

(Amounts expressed in reais)

ASSET

		Parent company		Consolidated	Combined
	Notes	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Current assets					
Cash and cash equivalents	3	4,619	1,000	8,790,418	3,436,067
Accounts receivable	4	-	-	13,042,877	3,358,513
Derivative assets	-	-	-	86,764	-
Other credits	5	-	-	10,350,354	2,494
Recoverable taxes	-	-	-	153,945	5,629
Total current assets		**4,619**	**1,000**	**32,424,358**	**6,802,703**
Non-current assets					
Credit with related parties	6.1	2,823,512	3,962,036	2,691,223	3,170,983
Recoverable taxes	-	-	-	409,077	-
Investments	7	18,612,616	-	2,302,070	-
Fixed	8	-	-	432,550	252,810
Total non-current assets		**21,436,128**	**3,962,036**	**5,834,920**	**3,423,793**
Total assets		**21,440,747**	**3,963,036**	**38,259,278**	**10,226,496**

The accompanying notes are an integral part of these financial statements

3F Capital S. A.

Balance sheet as of December 31, 2018

(Amounts expressed in reais)

LIABILITIES AND SHAREHOLDER'S EQUITY

		Parent company		Consolidated	Combined
	Notes	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Current liabilities					
Payable Loans	-	-	1,000,000	153,171	-
Suppliers and other accounts payable	9	1,375	-	12,052,189	3,358,554
Derivative liabilities	-	-	-	83,179	-
Social and tax obligations	10	-	-	6,423,642	1,069,054
Debt with related parties	6,2	3,203,629	-	-	-
Interest on own capital	-	-	-	-	239,887
Other debts	-	-	-	47,590	-
Total current liabilities		**3,205,004**	**1,000,000**	**18,759,771**	**4,667,495**
Non-current liabilities					
Debt with related parties	6,2	-	-	-	651,216
Other obligations	-	2,000	-	2,000	-
Total non-current liabilities		**2,000**	**-**	**2,000**	**651,216**
Non-controlling parties' interest	-	-	-	1,263,764	-
Shareholder's equity	12	1,000	1,000	1,000	1,041,000
Share capital	-	5,000,000	2,962,036	5,000,000	2,962,036
Advance for future capital increase	-	13,232,743	-	13,232,743	904,749
Accumulated profits		**18,233,743**	**2,963,036**	**18,233,743**	**4,907,785**
Total liabilities and shareholder's equity		**21,440,747**	**3,963,036**	**38,259,278**	**10,226,496**

The accompanying notes are an integral part of these financial statements

3F Capital S. A

Income statements for the years ended December 31, 2018

(Amounts expressed in reais)

		Parent company		Consolidated	Combined
	Notes	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Net operating revenue	13	-	-	160,974,233	28,428,757
Sales costs	14	-	-	(137,319,375)	(25,445,670)
Net income from future operations	-	-	-	4,716	-
Gross profit		**-**	**-**	**23,659,574**	**2,983,087**
(Expenses) / operating income		(22,640)	-	(7,618,009)	(1,193,733)
Administrative and general expenses	15	-	-	-	(2,182)
Tax expenses	-	12,269,315		-	-
Equity equivalence income	7	1,321,301	-	1,287,043	-
Other income and expenses		**13,567,976**	**-**	**(6,330,966)**	**(1,195,915)**
Profit before financial result		**13,567,976**	**-**	**17,328,608**	**1,787,172**
Financial income	16	-	-	320,730	27,972
Financial expenses	16	(233)	-	(40,834)	(12,325)
Income before IRPJ and CSLL		**13,567,743**	**-**	**17,608,504**	**1,802,819**
Income tax and social contribution	17	-	-	(2,332,243)	(507,374)
Net income for the year		**13,567,743**	**-**	**15,276,261**	**1,295,445**
Profit attributable to non-controlling parties		-	-	1,708,518	-
Profit attributable to controllers		**13,567,743**	**-**	**13,567,743**	**1,295,445**

The accompanying notes are an integral part of these financial statements

3F Capital S. A

Statement of changes in shareholders' equity as of December 31, 2018 and December 31, 2017

(Amounts expressed in reais)

	Note	Equity attributable to controlling shareholders					
	Note	Share capital	Advance for future capital increase	Accumulated profits	Shareholder's Equity - Total	Minority Interest	Shareholder's Equity - Consolidated Total
Balances on December 31, 2016		**-**	**-**	**-**	**-**	**-**	**-**
Capital pay-up	-	1,000	-	-	**1,000**	**-**	**1,000**
Contribution of capital	-	-	2,962,036	-	**2,962,036**	**-**	**2,962,036**
Balances on December 31, 2017		**1,000**	**2,962,036**	**-**	**2,963,036**	**-**	**2,963,036**
Contribution of capital			2,037,964	-	**2,037,964**	(444,754)	**1,593,210**
Net income for the year	-	-	-	13,567,743	**13,567,743**	1,708,518	**15,276,261**
Dividends distributed	-	-	-	(335,000)	**(335,000)**	**-**	**(335,000)**
Balances on December 31, 2018		**1,000**	**5,000,000**	**13,232,743**	**18,233,743**	**1,263,764**	**19,497,507**

The accompanying notes are an integral part of these financial statements

3F Capital S. A

Cash flow statements as of December 31, 2018

(Amounts expressed in reais)

	Parent company		Consolidated	Combined
	12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Operational activities				
Net income for the year	13,567,743	-	13,567,743	1,295,445
Income without impact on cash				
Depreciation / amortization	-	-	31,411	10,243
Equity equivalence	(12,269,315)	-	-	-
Provisions	-	-	12,193	-
Decrease / (increase) in assets				
Accounts Receivable	-	-	(9,684,364)	(3,358,513)
Derivative assets	-	-	(86,764)	-
Other credits	-	-	(10,625,550)	(2,494)
Recoverable taxes	-	-	(557,391)	(5,629)
(Decrease) / increase in liabilities				
Suppliers	1,375	-	8,693,635	3,349,316
Derivative liabilities	-	-	83,179	-
Tax and labor obligations	-	-	5,354,588	1,026,721
Other obligations	2,000	-	49,590	-
Interest on Own Capital	-	-	(239,887)	-
Net cash from operating activities	**1,301,803**	**-**	**6,598,383**	**2,315,089**
Investment activities				
Write-off / (acquisition) of investments	(6,343,301)	-	(2,302,070)	-
Write-off / (acquisition) of fixed assets	-	-	(211,151)	(263,053)
Net cash used in investing activities	**(6,343,301)**	**-**	**(2,513,221)**	**(263,053)**
Financing activities				
Funding / (payment) of loans and financing	(1,000,000)	-	153,171	-
Mutual funding / (payment) with related parties	4,342,153	(2,962,036)	959,518	(2,619,482)
Contribution of capital	2,037,964	2,963,036	491,500	4,003,036
Dividends paid	(335,000)	-	(335,000)	-
Net cash from financing activities	**5,045,117**	**1,000**	**1,269,189**	**1,383,554**
Increase / decrease in cash and cash equivalents	**3,619**	**1,000**	**5,354,351**	**3,435,590**
Cash and cash equivalents				
At the beginning of the year	1,000	-	3,436,067	477
At the end of the year	4,619	1,000	8,790,418	3,436,067
Increase / decrease in cash and cash equivalents	**3,619**	**1,000**	**5,354,351**	**3,435,590**

The accompanying notes are an integral part of these financial statements

1. OPERATIONAL CONTEXT

3F Capital SA (individually "Company" or jointly with its subsidiaries "Group") is a closed joint-stock company incorporated on June 21, 2017. The Company is headquartered at Avenida Olinda, No. 960, Parque Lozandes, in Goiânia- GO, Brazil, and has its activity the holding of equity interests in other companies. Currently, together with its subsidiaries, it offers a wide range of products and services in the Brazilian electricity market, as shown below:

- **Pacto Comercializadora de Energia Elétrica e Gás Natural S.A.**
  Headquartered in the city of Goiânia-GO, it was founded on September 9, 2015, and started operations in March 2017. Its activity is i) purchase and sale of electricity, acting as a trading agent, under the terms of resolution 265 of August 13, 1998, of the National Electric Energy Agency (Agência Nacional de Energia Elétrica – Aneel); ii) import and export of electricity, also under the terms of Aneel Resolution 265/98 and; iii) provision of consultancy services, agent representation, intermediation in the purchase and sale of electricity, natural gas, both in the domestic market, as well as in import and export. The company's equity interest corresponds to 100%;

- **Pacto Geração S.A.**
  It was incorporated on October 10, 2014, and is also headquartered in the city of Goiânia-GO. Its activities are i) equity participation in other business companies in the areas of generation, transmission, and commercialization; ii) production, generation, distribution and sale of energy, and; iii) wholesale electricity sales. The company's equity interest corresponds to 100%;

- **Pacto Geração Distribuída S.A.**
  It was incorporated on October 5, 2016, with headquarters in the city of Goiânia-GO. Its activities are the development, sale, installation, operation, and maintenance of photovoltaic, wind, hydroelectric, and biomass solar power generation systems, with a below 5MW (five megawatts) power. The company's equity interest corresponds to 100%;

- **Pacto Esco S.A.**
  Not yet operational, it was incorporated on January 11, 2017, with headquarters in the city of Aparecida de Goiânia-GO. Its activities are i) measurement of electricity, gas and water consumption, sale of products and provision of services related to energy efficiency projects, and water and gas consumption initiatives as well; ii) the rental of other industrial machinery and equipment. The company's equity interest corresponds to 100%;

- **Pacto Indústria S.A.**
  It was incorporated on January 11, 2017, with headquarters in the city of Aparecida de Goiânia-GO. Its activities are i) manufacture of devices, modules, control panels of plants and equipment for the generation, distribution, and control of photovoltaic energy; ii) manufacturing of inverters; iii) manufacture of metallic structures, engines and turbines, parts, and accessories, except for airplanes and road vehicles; iv) manufacture of hydraulic and pneumatic equipment; v) manufacture of direct and alternating current generators and; vi) wholesale trade of machinery and equipment for industrial use. The company's equity interest corresponds to 100%.

- **Pacto Soluções em Energia S.A.**
  It was incorporated on June 21, 2018, headquartered in the city of Arapoti-PR. Its activities are i) intermediation of businesses related to the sale of electricity; ii) provision of consultancy and advisory services related to the sale of electricity; iii) participation in companies, as a partner or shareholder. The company's equity interest corresponds to 100%;

- **W2E Digital S.A.**
  Not yet operational, it was incorporated on May 25, 2018, headquartered in the city of São Paulo-SP. Its activities are i) management of a digital energy credit platform, aimed at providing services in all areas of interest to the associated parties throughout the national territory; ii) participation in companies, as partner or shareholder. The company's equity interest corresponds to 100%.

The Company's financial statements were approved by Management on February 28, 2019.

2. ACCOUNTING POLICIES

2.1. Basis for preparing the financial statements

The financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Report Accounting – IFRS.

These financial statements are presented in reais, which is the Company's functional currency. All financial information presented in reais has been rounded to the nearest value, unless otherwise indicated.

2.2. Consolidation basis

The statements of the Company and its subsidiaries (mentioned in note 1) were used in the preparation of the consolidated financial statements. Both were closed on the same base date and are consistent with the accounting practices described in note 2. As a definition of "subsidiary", management analyzes the existence of a type of control that is obtained when the Company has the power to control the financial and operating policies of an entity to obtain benefits from its activities. Transactions, balances, and unrealized gains on operations between the same partner companies have been eliminated.

2.2.1. Basis for combining comparative financial statements

Until December 31, 2017, the Company had no equity interest in any investee. Up to that date, for the purpose of jointly disclosing the financial statements of the companies that belonged to the same economic group, management has presented combined statements, which is why comparability to the consolidated financial statements mentioned in note 2.2 for the year immediately preceding was carried out based on these combined statements.

As a criterion for the combination, the balances of the balance sheets and income accounts of the companies participating in the combination were considered and included. On the other hand, the balances resulting from operations carried out between the companies included in the combination were eliminated.

The combined financial statements include the operations of the companies mentioned below and are consistent with the accounting practices described from note 2.3 on. The amounts on the December 31, 2017 comparative balance sheet date are summarized as follows:

Company name	Total assets 12/31/2017	Net equity 12/31/2017
Total Comercializadora de Energia Ltda (Current: Pacto Comercializadora de Energia Elétrica e Gás Natural S.A.)	8,664,670	4,007,503
Total Eólica Participações Ltda (Current: Pacto Geração S.A.)	409,075	-102,739
Total Geração Distribuída S.A. (Current: Pacto Geração Distribuída S.A.)	10,000	-11,125
Total Esco S.A. (Current: Pacto Esco S.A.)	10,000	6,990
Total Indústria S.A. (Current: Pacto Indústria S.A.)	131,751	6,156
3 F Capital S.A.	**4,263,116**	**2,963,036**

2.3. Main accounting practices

a) Cash and cash equivalents

Cash and cash equivalents are classified according to their term of realization. They are stated at acquisition cost and, in the case of financial investments, plus income earned up to the period end dates. Then, when applicable, the provision for adjustment to its net realizable value is deducted.

b) Accounts receivable from customers

Accounts receivable from customers are recorded and maintained on the balance sheet at the nominal value of the securities representing these credits. Then, in the case of a provision for doubtful debts, a deduction is made. If the receipt period is equivalent to one year or less, accounts receivable are classified in current assets. Otherwise, they are presented in non-current assets.

c) Investments in subsidiaries

The Company's investments in its subsidiaries are valued based on the equity method, according to IAS 28 - Investment in Associated and Subsidiary, for the purposes of the Parent Company's financial statements.

Based on the equity method, the investment in the subsidiary is recorded in the parent company's balance sheet at cost, plus changes in the equity interest in the subsidiary after the acquisition.

The equity interest in the subsidiary is presented in the parent company's income statement as equity pickup, representing the net income attributable to the parent company's shareholders.

d) Fixed assets

Property, plant and equipment are recorded at acquisition or construction cost, plus, when applicable, capitalized interest during the construction period, net of accumulated depreciation, and provision for impairment of assets for paralyzed assets without expectation of reuse.

Depreciation is recognized in the income statement based on the straight-line method in accordance with tax rates, which Management believes represent an estimate close to the useful life of its main fixed assets.

An item of property, plant and equipment is written off after disposal or when there are no future economic benefits resulting from the continued use of the asset. Gains and losses on disposals are calculated by comparing the proceeds of the sale with the residual book value and are recognized in the income statement.

e) Evaluation of the recoverable value of assets

The Company analyzes annually whether there is evidence that the carrying amount of an asset will not be recovered (impairment of assets). If this evidence is present, they estimate the asset's recoverable amount, which is the higher of (a) its fair value minus the costs that would be incurred to realize it and (b) its value in use.

The value in use is equivalent to the discounted cash flows (before taxes) derived from the continuous use of the asset. When the asset's residual book value exceeds its recoverable value, the reduction (provision) of the asset's book balance (impairment) is recognized

f) Income tax and social contribution

Current tax is the tax payable or receivable / offset expected on taxable income for the quarter / year.

Income tax (25%) and Social Contribution on Net Income - CSLL (9%) are calculated by observing their nominal rates, which together total 34%. Deferred income tax is generated by temporary differences on the balance sheet date between the tax bases of assets and liabilities and their book values.

Deferred tax is recognized in relation to temporary differences between the values of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. For December 31, 2018, Management assessed the temporary difference in the result on the recognition of revenue (note 2.4 a) and costs on the accrual basis and its tax revenue. The conclusion was that deferred taxes were not significant, opting for non-presentation on that date.

Deferred tax and contribution assets and liabilities are presented at the net amount in the balance sheet when there is a legal right and the intention to offset them when determining current taxes that are related to the same legal entity and the same tax authority.

g) Financial instruments

Financial assets and liabilities are recognized when the Company is part of the contractual provisions of the instrument. They are initially measured at amortized cost or fair value, depending on their assessment as to the destination.

Transaction costs are directly attributable to the acquisition or issue of financial assets and liabilities (except for financial assets and liabilities recognized at fair value in the income statement) and are added to or deducted from the fair value of financial assets or liabilities, if applicable, after the initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognized in the result.

Financial assets and liabilities are presented at their net value in the balance sheet if, and only if, there is a current and enforceable legal right to offset the recognized amounts and if there is an intention to offset, or to simultaneously realize the asset and settle the liability.

As of December 31, 2018, the Company's financial assets were classified in the following categories:

Amortized cost	• Cash and cash equivalents • Accounts receivable from customers • Credit with related parties
Fair value through profit or loss	Derivative assets

h) Other assets and liabilities (current and non-current)

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated in favor of the Company and its cost or value can be reliably measured. A liability is recognized in the balance sheet when the Company has a legal or constituted obligation as a result of a past event, and it is probable that an economic resource will be required to settle it. When applicable, the corresponding charges and monetary or exchange variations incurred are added. Provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur in the next 12 months. Otherwise, they are stated as non-current.

i) Adjustment to present value of assets and liabilities

Monetary assets and liabilities, when applicable, are adjusted to their present value in the initial registration of the transaction, taking into account contractual cash flows and explicit or implicit interest rates (based on market rates for transactions similar to those of the respective assets and liabilities). Subsequently, in the income statement, these effects are reallocated to the financial income or expenses lines, using the discount rate considered and the amortized cost method. As of December 31, 2018, the Company had no assets and liabilities requiring adjustment to present value.

2,4 Main accounting judgments and estimates

In applying the accounting practices described in Note 2.3, Management must make judgments and make estimates regarding the book values of assets and liabilities that are not easily obtained from other sources. The estimates and the respective assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The underlying estimates and assumptions are continually reviewed. The effects arising from the revisions made to the accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only this period, or also in subsequent periods if the revision affects both the present and future periods. The main accounting judgments and estimates are presented below:

a) Recognition of sales revenue

In making this judgment, Management took into account the detailed criteria for recognizing revenue from the sale of energy and, in particular, whether the Group had transferred control of the asset (energy or products) sold to the buyer (time of delivery, regardless tax billing), observing the requirements demanded by IFRS 15.

In cases of energy sales in which contracts with customers are signed, it is also considered that there is predictability of adjustments by the regulator in the amount defined in the contract after calculation and approval of the amounts with premise for revenue recognition.

b) Provisions for lawsuits

Provisions for lawsuits are recognized when the Group has a present or non-formalized obligation as a result of past events and it is considered probable that an outflow of funds will be necessary to settle the obligation, in addition to the amount being safely estimated. Provisions are quantified at the present value of the expected disbursement to settle the obligation, using an appropriate discount rate according to the risks related to the liability. Provisions are updated up to the balance sheet dates by the estimated amount of probable losses, taking into account their nature and supported by the opinion of the Group's lawyers. The provisions judged by the lawyers as possible losses are disclosed in the notes.

c) Provision for doubtful accounts

The Group does not have a history of default and, consequently, there is no provision for doubtful accounts that reflects cases that may be missed. However, management is guarded and, in the event of the possibility of a debtor with doubtful liquidity credit, it will adopt as policy all securities overdue for more than 6 months.

2,5 Changes in accounting practices issued by regulatory bodies and new accounting standards not yet adopted.

a) New accounting standards in force for 2018

The following standards or changes in accounting standards came into effect as of the year beginning January 1, 2018. The Group evaluated these changes in the preparation of these financial statements and concluded that there was no material impact, as mentioned below:

IFRS 9 – Financial instruments

The IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new model of expected credit loss for the calculation of impairment of financial assets and new requirements on hedge accounting.

The standard maintains the existing guidelines on the recognition or not of IAS 39 financial instruments. The effects of this new categorization are already reflected in the disclosure of financial instruments in note 2.3 g).

IFRS 15 - Revenue from Contracts with Customers

The IFRS 15 requires the entity to recognize the amount of revenue reflecting the consideration it expects to receive in exchange for control of these goods or services. The new standard replaced most of the detailed guidance on revenue recognition that existed in the previous standard "IAS 18 – “Revenues". Management evaluated, as shown below, its energy sales contracts in line with the criteria defined by IFRS 15, reaching the conclusion that there were no changes in the way its revenues were recognized. Below is the 5-step model evaluated by management in accordance with IFRS 15:

Steps	Criteria met
1st step: Contract identification	The contracts for the sale of energy and goods signed with customers were identified. In them, we checked that: • They have commercial substance; • It is likely to receive the consideration; • Payment rights and conditions can be identified; • They are signed by the parties, which are committed to their obligations.
2nd step: Identification of performance obligations	Delivery of energy and/or products

3rd step: Determination of the transaction price	Represented by the sale price of energy or products explicitly defined in the contracts.
4th step: Allocation of the transaction price to performance obligations	Direct and simple allocation of the transaction price, since the contracts have only one performance obligation (the delivery of the energy or product).
5th step: Revenue recognition	Recognized at a point

b) New accounting standards applicable as of January 1, 2019

IFRS 16 - Leases

IFRS 16 will be effective for years ended as of January 1, 2019. The accounting requirements for lessors remain substantially the same in comparison with the current rules. However, there are significant changes for lessees as IFRS 16 determines a single model only for lessees by eliminating the distinction between finance and operating leases in order to result in a balance sheet reflecting an "right to use" the assets and a corresponding financial liability. The Group does not expect significant effects on its statements when adopting IFRS 16.

3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	Combined
Description	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Bank deposits and cash	4,619	1,000	12,153	228,867
Financial investments (a)	-	-	8,778,265	3,207,200
Total	**4,619**	**1,000**	**8,790,418**	**3,436,067**

(a) Financial investments refer to temporary cash surpluses invested in fixed income with availability for immediate redemption. They are remunerated at the rate between 80% and 105% of the CDI Index Financial investments refer to temporary cash surpluses index.

4. ACCOUNTS RECEIVABLE

	Parent company		Consolidated	Combined
Description	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Energy measured / delivered to be invoiced **(a)**	-	-	12,387,066	3,358,513
Accounts receivable from customers **(b)**	-	-	655,811	-
Total	**-**	**-**	**13,042,877**	**3,358,513**

(a) The energy sold by the Company is delivered/consumed during the month. However, billing (invoice issuance) is carried out at the beginning of the following month. Accordingly, accounts receivable in December 2018 correspond to energy generated/delivered in December 2018, whose invoice was issued in early January 2019. The cost of acquiring this energy has the same treatment, being the provision payable recorded in current liabilities against cost in income for the year.

(b) Refers to accounts receivable for the sale of goods by the subsidiary Pacto Indústria. The breakdown by maturity age is shown below.

Description	12/31/2018
Expired for more than 180 days	18,000
Expiring within 30 days	263,170
Expiring within 180 days	369,785
Expiring in more than 180 days	4,856
Total	**655,811**

5. OTHER CREDITS

	Parent company		Consolidated	Combined
Description	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Advances to energy suppliers **(a)**	-	-	10,346,056	-
Loans to employees	-	-	4,298	2,494
Total	**-**	**-**	**10,350,354**	**2,494**

(a) Balance referring to partial advance payments for the purchase of energy to be delivered in the following month.

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

6.1. Credits with related parties

	Parent company		Consolidated	Combined
Description	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Non-current asset				
Pacto Industria S. A	660,674	-	-	-
Pacto Geração S. A	226,582	-	-	-
Pacto Geração Distribuidora S. A	328,203	-	-	-
Pacto Esco S. A	671	-	-	-
Pacto Soluções S. A	20,512	-	-	-
W2E Digital S.A.	2,200	-	-	-
Rodrigo Ferreira Fonseca Pedroso **(a)**	-	-	-	1,000,000
Anticipation of profit distribution (shareholders)	-	-	-	300,000
Total Solar Participações S.A.	1,584,670	1,000,000	2,691,223	1,456,803
Rodrigo Pedroso Investimentos e Part. S.A.	-	-	-	414,180
Pacto Comercializadora S. A	-	2,962,036	-	-
Non-current asset - Total	**2,823,512**	**3,962,036**	**2,691,223**	**3,170,983**

6.2. Debt with related parties

	Parent company		Consolidated	Combined
Description	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Non-current liability				
Pacto Comercializadora S.A.	3,203,629	-	-	-
Non-current liability - Total	**3,203,629**	**-**	**-**	**-**

	Parent company		Consolidated	Combined
Description - liability	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Rodrigo Pedroso Invest. e Partic. S.A.	-	-	-	132,424
Tecnomonte Montagens Industriais (a)	-	-	-	500,000
Total Solar Participações S.A.	-	-	-	18,792
Non-current liability - Total	**-**	**-**	**-**	**651,216**

6.3 Remuneration of directors

Until December 31, 2018, the Company paid R$ 335,000 in direct or indirect remuneration to its managers.

7. INVESTMENTS

	Parent company		Consolidated	Combined
Investments	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Interest in subsidiaries	18,612,616	-	-	-
Interest in associates	-	-	2,302,070	-
Total	**18,612,616**	**-**	**2,302,070**	**-**

7.1. Information on subsidiaries

	Total share in %	Result for the year on 12/31/2018	Profit Sharing on 12/31/2018
Subsidiaries			
Pacto Geração S. A	100%	(152,632)	244,629
Pacto Geração Distribuidora S. A	100%	(332,266)	(343,391)
Pacto Industria S.A.	100%	(168,202)	(162,246)
Pacto Esco S. A	100%	(911)	(3,921)
Pacto Comercializadora	100%	12,947,882	18,900,101
Pacto Soluções S. A	100%	(21,265)	21,265
W2E Digital S.A.	100%	(3,291)	3,291

7.2. Investment movement

	12/31/2017	Acquisitions	Adjustments	Equity equivalence	12/31/2018
Subsidiaries					
Pacto Geração S. A	-	10,000	387,261	(152,632)	244,629
Pacto Geração Distribuidora S. A	-	10,000	(21,125)	(332,266)	(343,391)
Pacto Industria S.A.	-	10,000	(4,044)	(168,202)	(162,246)
Pacto Esco S. A	-	10,000	(13,010)	(911)	(3,921)
Pacto Comercializadora	-	5,000,000	952,219	12,947,882	18,900,101
Pacto Soluções S. A	-	1,000	-	(21,265)	(20,265)
W2E Digital S.A.	-	1,000	-	(3,291)	(2,291)
Total	**-**	**5,042,000**	**1,301,301**	**12,269,315**	**18,612,616**

8. FIXED

The details of the Company's fixed assets are shown below:

Description	Depreciation rates % - per year	Parent company		Consolidated	Combined
		12/31/2018	12/31/2017	12/31/2018	12/31/2017
Improvements in third-party properties	-	-	-	120,587	120,587
Machines and equipment	10%	-	-	49,613	11,784
Furniture and utensils	10%	-	-	103,171	120,439
Vehicles	20%	-	-	123,651	-
Computers and Peripherals	20%	-	-	33,598	-
Communication equipment	20%	-	-	1,930	-
Total		**-**	**-**	**432,550**	**252,810**

8.1. Fixed asset movement

Description	Balances on 12/31/2017	Additions (a)	Depreciation	Balances on 12/31/2018
Improvements in third-party properties	120,587	-	-	120,587
Machines and equipment	11,784	40,965	(3,136)	49,613
Furniture and utensils	120,439	10,043	(27,311)	103,171
Vehicles	-	133,406	(9,755)	123,651
Computers and Peripherals	-	34,899	(1,301)	33,598
Communication equipment	-	2,080	(150)	1,930
Total	**252,810**	**221,393**	**(41,653)**	**432,550**

(a) Refers to improvements made in the premises of the rented administrative headquarters, as well as the acquisition of furniture, computers and vehicles for administrative use.

9. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

Description	Parent company		Consolidated	Combined
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Purchase of energy to be invoiced **(a)**	-	-	11,403,914	3,302,118
Suppliers	1,375	-	648,275	56,129
Other accounts payable	-	-	-	307
Total	**1,375**	**-**	**12,052,189**	**3,358,554**

(a) Refers to the provision for energy purchased in December 2018, whose invoice was received only in January 2019.

10. SOCIAL AND TAX OBLIGATIONS

Description	Parent company 12/31/2018	Parent company 12/31/2017	Consolidated 12/31/2018	Combined 12/31/2017
IRPJ	-	-	1,243,777	371,481
CSLL	-	-	641,715	135,893
PIS	-	-	191,200	34,300
COFINS	-	-	860,999	169,917
IRRF	-	-	750	42,333
Salaries and charges	-	-	220,297	19,329
Profit sharing	-	-	3,236,074	294,583
Others	-	-	28,830	1,218
Total	**-**	**-**	**6,423,642**	**1,069,054**

11. PROVISION FOR LABOR, CIVIL AND TAX RISKS

As of December 31, 2018, the Company had no legal proceedings filed against it of any nature.

12. SHAREHOLDER'S EQUITY

a) Share capital

Shareholders	Capital R$	%
Rodrigo Ferreira Fonsêca Pedroso	400	**40%**
Marcelo Macedo da Fonseca	400	**40%**
Salberg Participações S.A.	200	**20%**
Total	**1,000**	**100%**

b) Profit allocation

The shareholders' resolutions will be taken in a quota holders' meeting, once a year, to approve the Company's accounts and determine the distribution of profits.

13. NET OPERATING REVENUE

Description	Parent company 12/31/2018	Parent company 12/31/2017	Consolidated 12/31/2018	Combined 12/31/2017
Gross revenue from electricity sales **(a)**	-	-	160,242,307	25,372,546
Measured and uninvoiced electricity revenue **(b)**	-	-	10,430,222	3,358,513
Revenue from the sale of goods **(c)**	-	-	1,386,846	-
(-) PIS / COFINS/ICMS	-	-	(11,085,142)	(302,302)
Total	**-**	**-**	**160,974,233**	**28,428,757**

(a) Refers to the sale of electricity sold on the open market by the subsidiary Pacto Comercializadora de Energia e Gás Natural S.A.

(b) Provision for revenue from energy sales made in December 2019 and for which billing was made only in January / 2020.
(c) Sale of products used for energy generation by the subsidiary Pacto Indústria S.A.

14. SALES COSTS

Description	Parent company 12/31/2018	Parent company 12/31/2017	Consolidated 12/31/2018	Combined 12/31/2017
Cost of purchasing electricity	-	-	(100,090,404)	(22,118,499)
Cost of purchased and uninvoiced energy	-	-	(36,243,914)	(3,302,118)
Cost of goods sold	-	-	(985,057)	(25,053)
Total	**-**	**-**	**(104,390,625)**	**(25,445,670)**

15. ADMINISTRATIVE AND GENERAL EXPENSES

Description	Parent company 12/31/2018	Parent company 12/31/2017	Consolidated 12/31/2018	Combined 12/31/2017
Services provided	(12,854)	-	(1,312,498)	(469,495)
Salaries and charges	-	-	(1,345,079)	(49,288)
Share in profits	-	-	(3,238,734)	(294,583)
Attorney services	(9,786)	-	(143,003)	(46,700)
Travel and accommodation expenses	-	-	(87,408)	(74,483)
Fees	-	-	(106,893)	(26,317)
Property rental and condominium expenses	-	-	(133,601)	(89,610)
Others	-	-	(1,250,793)	(143,257)
Total	**(22,640)**	**-**	**(7,618,009)**	**(1,193,733)**

16. NET FINANCIAL RESULT

Description	Parent company 12/31/2018	Parent company 12/31/2017	Consolidated 12/31/2018	Combined 12/31/2017
Financial income				
Financial investments income	-	-	320,730	27,972
Total financial income	**-**	**-**	**320,730**	**27,972**
Financial expenses				
Income tax on financial investments	-	-	-	(194)
IOF	-	-	(18,921)	(2,019)
Bank fees	(233)	-	(16,808)	(10,051)
Interest on late payments	-	-	(5)	(17)
Bank interest rate	-	-	(18)	(44)
Others	-	-	(5,082)	-
Total financial expenses	**(233)**	**-**	**(40,834)**	**(12,325)**
Net financial result	**(233)**	**-**	**279,896**	**15,647**

17. INCOME TAX AND SOCIAL CONTRIBUTION - CONSOLIDATED

Income tax (25%) and Social Contribution on Net Income - CSLL (9%) are calculated by observing their nominal rates, which together total 34%.

	Parent company		Consolidated	Combined
Description	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Income before IRPJ and CSLL	13,567,743	-	17,608,504	1,802,819
(-) interest on own capital		-	-	(282,220)
(-) Equity equivalence	(13,567,743)	-	-	-
(x) combined rate	34%	34%	34%	34%
(=) IRPJ and CSLL	-	-	(5,986,891)	(517,004)
(-) Adjustment to reflect the effective rate (quarterly real profit)	-	-	3,654,648	9,630
(=) IRPJ and CSLL expenses			**(2,332,243)**	**(507,374)**
Effective rate	0,00%	0,00%	13,24%	28,14%

18. SUBSEQUENT EVENTS

Management adopts internal procedures for the evaluation and identification of subsequent events that occurred between the base date of the financial statements and the date of their respective approval. As of December 31, 2018, there were no significant subsequent events requiring registration or disclosure in the financial statements.

19. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

a) General and political considerations

The Group contracts transactions involving financial instruments, including derivatives, when applicable. All are recorded in equity accounts, which are designed to meet your operational and financial needs.

Financial investments, loans and financing, energy sales, as well as derivative financial instruments are contracted.

The management of these financial instruments is carried out through policies, the definition of strategies, and the establishment of control systems, being monitored by the Group's Management.

Financial investments

The Group's management elects the financial institutions with which the contracts can be entered into, making it possible to monitor profitability and fluctuations in the indexes used as the basis for remuneration.

b) Financial risk management

Financial risk factors

The Group's activities expose it to several financial risks: market risk (including currency and interest rate risk), credit risk, and liquidity risk. The Group's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance, using, when necessary, derivative financial instruments to protect certain risk exposures.

Risk management is carried out by the Group's executive officers, and all measures must be approved by all officers. The management, when necessary, identifies, evaluates, and contracts financial instruments in order to protect the Group against possible financial risks, which mainly result from interest rates.

b.1) Market risk

The Group is exposed to market risks arising from its business activities. These market risks mainly involve the possibility of fluctuations in the price of energy and changes in interest rates.

The interest rate risk for the Group arises from financial investments and short and long term loans and financing. The Group's management has a policy of maintaining the indexes of its exposures to active and passive interest rates tied to post-fixed rates. Financial investments and loans and financing are adjusted by the post-fixed rate CDI, according to contracts signed with financial institutions.

b.2) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, bonds and securities, in addition to funding available through committed credit lines and the ability to settle market positions. Due to the dynamic nature of the Group's businesses, the board maintains flexibility in funding through the maintenance of committed credit lines.

c) Capital management

The Group's objectives when managing its capital are to safeguard the Group's ability to continue to offer return to shareholders and benefits to other stakeholders, in addition to maintaining an ideal capital structure to reduce this cost.

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