

Renova Energy Projects I

Notes to the combined financial statements

For the years ended December 31, 2014 and 2013

(Thousands of Brazilian Reals – R\$, unless otherwise stated)

1. Organization and description of business

Renova Energy Projects I (the "Group" or the "Company") comprises the operating assets, liabilities and operating activities of Energética Serra do Prata S.A. ("Espra"), Salvador Eólica Participações S.A. ("Salvador"), Bahia Eólica Participações S.A. ("Bahia"), all indirect-wholly-owned Brazilian subsidiaries of Renova Energia S.A. ("Renova" or "Parent"), a Brazilian listed company engaged in the development, implementation and operation of projects for the generation of energy from renewable sources, including wind, small hydroelectric power plants ("SHPPs") and solar, and in the sale of power and related activities.

The Group is engaged in the construction and operation of renewable energy generation projects through SHPPs and wind energy facilities, all located in Brazil, and conducts its operations through various wholly-owned project companies under authorizations granted to them: 30 years from 2003 in the case of small hydroelectric power plants and 35 years from 2010 in the case of wind energy facilities.

Small Hydroelectric Power Plants—Through Espra, the Group sells electric energy generated from its Serra da Prata Hydroelectric Complex, consisting of three SHPPs located in the State of Bahia, which began operations in 2008. All energy generated from the complex is sold under long-term power purchase agreements ("PPAs") with Eletrobras—Centrais Elétricas Brasileiras S.A., under the Brazilian Alternative Electric Power Source Incentive Program (*Programa de Incentivo às Fontes Alternativas de Energia Elétrica—PROINFA*). The PPAs have an original term of 20 years through 2028 and include a fixed price per megawatt hour, adjusted annually for inflation based on the change in the Brazilian General Market Price Index—IGPM.

Wind Energy Facilities—Through Bahia and Salvador, the Group sells electric energy generated from its 14 wind energy facilities located in the State of Bahia, which began operations in 2012. All energy generated from the complexes are sold under long-term PPAs with the Câmara de Comercialização de Energia Elétrica—CCEE (Electric Power Trade Chamber), under PROINFA. The PPAs have an original term of 20 years through 2032 and include a fixed price per megawatt hour, adjusted annually for inflation based on the change in the Brazilian Consumer Price Index—IPC-A.

The Group's operating assets, consisting of its SHPPs and wind energy generation facilities, are held through the following wholly-owned project companies:

- Centrais Eólicas Candiba S.A.
- Centrais Eólicas Igaporã S.A.
- Centrais Eólicas Ilhéus S.A.
- Centrais Eólicas Licínio de Almeida S.A.
- Centrais Eólicas Pindal S.A.
- Centrais Eólicas Alvorada S.A.
- Centrais Eólicas Guanambi S.A.
- Centrais Eólicas Guirapá S.A.
- Centrais Eólicas Nossa Senhora Conceição S.A.
- Centrais Eólicas Pajeú do Vento S.A.
- Centrais Eólicas Planaltina S.A.
- Centrais Eólicas Porto Seguro S.A.