
Table of Contents

As the Group did not operate as a stand-alone entity in the past, these combined financial statements may not be indicative of the Group's future performance and do not necessarily reflect what its combined results of operations, financial position and cash flows would have been had the Group operated as a separate entity apart from Renova during the periods presented.

Management of the Group authorized the issuance of these combined financial statements on May 6, 2015.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. Policies have been consistently applied to all years presented, unless otherwise stated.

Accounting Convention—The combined financial statements are prepared on a historical cost basis except for certain financial instruments that are recorded at fair value or stated otherwise.

Use of Estimates—The preparation of the combined financial statements pursuant to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are reviewed on an ongoing basis, and are based on historical experience as well as changes in scenario and other factors considered relevant by management. Actual results could differ from those estimates.

Revisions in relation to accounting estimates are recognized in the period in which the estimates are reviewed, and in any future periods affected.

The areas where assumptions and estimates are subject to higher uncertainties and exposed to a risk that could result in a material adjustment if such assumptions and estimates change within the next fiscal year include:

Impairment of assets—Management concluded that there are no internal or external evidences that would justify the recognition of a provision for impairment of property, plant and equipment, intangible assets.

Useful lives and residual values of property, plant and equipment—The Group reviews annually the estimated useful lives and residual values of property, plant and equipment and intangible assets with finite useful lives, and the depreciation and amortization rates currently used are considered representative of the useful lives of these assets.

Commitments for social and environmental costs—This estimate is recognized based on estimated costs required for the obtaining the licenses for installation and operation of power plants, that were required by Brazilian regulatory authorities. These costs are associated with the basic environmental project or are in addition to this, where the main items are the reforestation of areas, acquisition and regularization of rural areas, restoration and improvement of road infrastructure and the deployment of units conservation.

Valuation of financial instruments—Note 18 contains detailed information on the main assumptions used to measure the fair values of financial instruments and a sensitivity analysis of such assumptions. Management believes that the selected valuation techniques and the assumptions used are appropriate to determine the fair values of financial instruments.

Basis of Combination—The combined financial statements include the accounts of all subsidiaries in which entities in the Group have a controlling financial interest. Control is achieved when the Group has power over the investees; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. During the periods presented, the Group did not have any investments in entities other than its wholly-owned project company subsidiaries.

F-280