

---

Table of Contents

**Income and Social Contribution Taxes**—The legal entities comprising the Group file separate tax returns as required by Brazilian tax law. As such, income taxes have been determined for purposes of the combined financial statements on a separate return basis. Use of this method may result in differences when the sum of the amounts allocated to the Group is compared with amounts presented in the Parent's consolidated statements.

In general, income tax expense in Brazil is computed based on the combined statutory tax rate of 34% applied to adjusted taxable income, comprised of 25% for income tax (15% base rate plus a 10% surtax for income in excess of R\$240) and 9% for social contribution tax (a tax levied on income). This method is referred to as the "real profit" method.

As permitted under Brazilian tax legislation, all of the Group's operating project companies, where virtually all of the Group's revenue and substantially all of its operating profit is generated, have elected to be taxed under an alternative "deemed profit" method. Under this regime, entities with annual gross revenues not in excess of R\$ 78,000 may elect to be taxed based on deemed taxable income derived from a defined percentage of revenues. Taxable income is computed based on 8% of annual gross operating revenues and 100% of annual finance revenues. This deemed taxable income is then subject to income tax at the rate of 15%, plus a surtax of 10% for deemed income in excess of R\$240 and social contribution tax at the rate of 12%.

The Group's tax expense for the year is comprised of current and deferred income tax, as applicable, in accordance with the applicable tax regime elected by the Group legal entities.

**Current income tax**—The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in accordance with the applicable elections made by the Group legal entities.

The Group recognizes liabilities for uncertain tax positions when it is more likely than not that an outflow will occur to settle the position, based on management's estimation of the expected settlement outcome. These liabilities, along with related interest and penalties as applicable, are recorded as part of taxes payable in the combined balance sheets.

**Deferred income tax**—Deferred income tax is recognized, as applicable, using the liability method, for tax loss carryforwards and temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the combined financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transactions, other than a business combination, that at the time of the transaction does not affect either accounting or tax profit or loss. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary difference or tax loss carryforward can be utilized. In Brazil, tax loss carryforwards do not expire, but their utilization is limited to 30% of taxable income in a given year, under the real profit method.

Deferred income tax assets and liabilities, when recognized, are offset when there is a legally enforceable right to offset and relate to income taxes levied by the same taxing authority on the same taxable entity and are classified as long-term in the combined balance sheets.

For those legal entities of the Group who have elected the deemed profit regime, no deferred income tax assets or liabilities have been recognized. Additionally, given the deemed profit election, no related tax impacts, current or deferred, have been recorded for the allocation of expenses from Parent in the combined financial statements.

For more information on income and social contribution taxes see note 10.

F-285