ODEBRECHT ENGENHARIA E CONSTRUÇÃO S.A.

Independent auditor's report

Consolidated financial statements
As at December 31, 2019

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Contents

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the
Shareholders and Management of
Odebrecht Engenharia e Construção S.A.
São Paulo – SP

Qualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Odebrecht Engenharia e Construção S.A. ("Company"), which comprise the consolidated statement of financial position as at December 31, 2019 and the respective consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the following section of this report "Basis for qualified opinion", the consolidated financial statements present fairly, in all material respects, the financial position consolidated of Odebrecht Engenharia e Construção S.A. as at December 31, 2018, and its consolidates financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for qualified opinion on the consolidated financial statements

Investigations and other legal procedures conducted by Federal Public Prosecution Office and other public authorities

As described on explanatory note 1(a) to the consolidated financial statements and as is publicly known, investigations and other legal procedures conducted by the Federal Public Prosecution Service ("MPF") and other public authorities have been in progress since 2014 in the context of the operation called "Lava-Jato" (Car Wash). These investigations involve companies, former executives and executives of the Company and its subsidiaries, including CNO S.A.

Concurrently and as a result of Operation Car Wash, since 2015, the Federal Public Prosecution Office, the Office of the Solicitor General ("AGU"), some state public prosecution offices and Petrobras S.A. have been filing administrative improbity actions against Odebrecht S.A. ("ODB"), the Company, some of its subsidiaries and some executives and former executives, requiring the payment of compensation and a fine, and establishing a ban on entering into contracts with governmental offices and receivement of tax or credit benefits or incentives, among other things.

On December 1, 2016, ODB, in the capacity of controlling stockholder of the companies that are part of ODB Group, entered into a Leniency Agreement with the Federal Public Prosecution Office, taking responsibility for all of the illicit acts that are the subject matter of the above mentioned agreement, except for Braskem S.A. ("Braskem"), as reflected in its financial statements. This Agreement is part of a Global Agreement coordinated by the proper authorities in Brazil, the United States and Switzerland, according to which ODB, or any other company that is part of its economic group, undertook to pay the aggregate amount equivalent to R$ 3,828 million over 23 years, in annual customized installments adjusted based on the Selic basic interest rate. On August 8, 2019, the above mentioned agreement was amended, changing the payment schedule, and the Company became the subsidiary guarantor of these obligations.

The purpose of this Leniency Agreement is the recognition of illicit acts and reparation of damages caused, as well as cooperation with the Federal Public Prosecution Service and other authorities with respect to the investigations, and the ODB Group is also seeking to preserve and maintain its activities, resume entering into contracts with public authorities and receive funds from banks and public authorities in Brazil and abroad.

Due to the above mentioned Leniency Agreement, the Federal Public Prosecution Office undertook to (i) not file civil lawsuits and additional actions for the reimbursement of amounts arising from the complaints and facts related to Operation Car Wash, and (ii) to not apply administrative improbity sanctions, and to work with other public bodies, state-owned companies and mixed capital companies so that they can remove any file restrictions for ODB, the Company and its subsidiaries.

On July 9, 2018, ODB and its subsidiaries entered into the Leniency Agreement with the Office of the Solicitor General, the Ministry of Transparency and the Brazilian Government Accountability Office under which they committed to pay, over twenty-two (22) years, the total amount of R$ 2,727 million, to be deducted from the R$ 3,828 million agreed upon under the Leniency Agreement entered into with the Federal Public Prosecution Office. The direct subsidiary of the Company, CNO, has already entered into 8 (eight) Leniency Agreements with the General Superintendency of the Brazilian antitrust agency (“CADE”). Additionally, on November 22, 2018, CADE’s Court ratified 6 (six) Instruments of Commitment to Cease, totaled R$ 507 million in terms of monetary contributions from the legal entity and individuals. CNO continues to negotiate with CADE the signing of other instruments of commitment to cease.

CNO has been negotiating with states and municipalities the signing of agreements and/or adherences to the Leniency Agreement according to which, in consideration for not adopting sanctions against it, it will undertake to cooperate with the authorities and indemnify those injured. The amount of such indemnity should also be deducted from the R$ 3,828 million agreed upon in the Leniency Agreement entered into with the Federal Prosecution Office.

On January 29, 2019, an agreement between CNO and the World Bank was announced according to which CNO and its wholly-owned subsidiaries are not qualified to contract projects financed by the World Bank for a period of 03 (three) years. No fine was imposed under the agreement.

On September 04, 2019, an agreement between the Company, CNO and the Inter-American Development Bank (“IDB”) was announced, establishing that the Company and some of its wholly-owned subsidiaries, except for the branches and subsidiaries in Africa, were ineligible to contract projects financed by the IDB until August 1, 2024).The payment of a monetary contribution of R$ 50 million, starting in 2024, was also agreed upon, taking into account the payment terms of the agreement. The Company and CNO are negotiating agreements with another international institution for the execution of a new agreement.

In its operations abroad, the Company and its subsidiaries continue to make their best efforts to come to an understanding with local authorities for sealing cooperation/leniency agreements, while also seeking the support of the Brazilian authorities in the dialogue with the local authorities. To date, in the scope of the ODB Group, agreements have already been entered into with authorities in the Dominican Republic, Ecuador, Panama, Guatemala and Peru, in addition to authorities in the U.S., Switzerland and Brazil.

On the financial statements of the subsidiaries of OEC S.A. were registered accruals to the agreements in course, which values were calculated using the best estimates of the management and of the legal consultants involved.

However, considering the current stage of the negotiations and agreements in course, we were unable, applying alternative audit procedures, to obtain appropriate and sufficient audit evidences to conclude about the sufficiency of the registered accruals and if it would be necessary the register of other accruals on the consolidated financial statements of the Company at December 31, 2019.

Registration of warranty obligation arising from Odebrecht Finance Ltd. Bonds

As described in Note 1 (c) to the financial statements, Odebrecht Finance Ltd. ("OFL") did not to settle the interest installment related to the Bond 2025 and the Company, the OECI and the CNO, in the capacity of guarantors of OFL Bonds, aiming at preserving their operational liquidity, did not pay them either. Also, the interest installments related to the Bonds 2020, 2022, 2023, 2029, 2042 and the Perpetual Bonds ("Bonds") that fell due between December 2018 and June 2019 have not been paid. The amount that had not been settled by December 31, 2019 was US$ 255,691 – R$ 1,030,614 (December 31, 2018 – US$ 72,127).

On June 17, 2019, OFL, ODB and other companies of the ODB Group, excluding the Company and its subsidiaries, formalized their petition for judicial recovery with the courts of São Paulo. OFL declared in its petition for judicial recovery the amounts due on the Bonds, which resulted in the respective early maturity.

Even though the Company and its subsidiaries are not part of the group of companies that formalized the petition for judicial recovery with the courts of São Paulo, as guarantor, the Company contracted Moelis & Company ("Moelis"), Cleary Gottlieb Steen & Hamilton and E. Munhoz Advogados to discuss and negotiate a restructuring operation of the guarantee with a group of OFL bondholders that had set uo an Ad Hoc Group to carry out negotiations with the Company. On August 30, 2019, the Company disclosed the agreement obtained with the Ad Hoc Group with respect to the main terms and conditions for restructuring the Bond liabilities ("Term Sheet").

In general terms, the Term Sheet defined issues that involve the cancellation of the current obligations of the Company with respect to the Bonds in exchange for: (i) New Bonds issue, representing 45% of the current Bond amounts; and (ii) a participation debt instrument that will entitle holders to future distributions of results related to the Company's performance. The grace period of the New Bonds will be 4.5 years longer, starting on the date of their original maturity and they will bear the same current interest rates and, in the first five years, the Company will have the option to capitalize this interest, in whole or in part.

On December 31, 2019, the Company, in view of the early maturity of the OFL Bonds arising from the petition for judicial recovery by OFL, recorded the amount of US$ 627,201 – R$ 2,528,058 in its current liabilities as a contra-entry to finance result as a provision for guarantee and this amount reflected the fair value of the OFL Bonds in accordance with the terms described on the Term Sheet.

The Company is currently negotiating with the Ad Hoc Group for the launch of the Consent Solicitation in the market based on the terms and conditions of the Term Sheet, so as to obtain the quorum (minimum required) of 60% of the OFL Bond holders, thus allowing for the ratification in Brazil of the Extrajudicial Recovery necessary for the implementation of the Bonds' restructuring. If this quorum of 60% is not reached and the Extrajudicial Recovery is not filed, the Company shall recognize in a provision in its balance sheet the total amount due related to the OFL Bonds, which, on December 31, 2019, is equivalent to US$ 3,144,995 – R$ 12,676,527 (December 31, 2018 – US$ 2,946,849).

After the ratification of the extrajudicial Recovery, the above mentioned provision will be recognized as a debt and classified as current and non-current liabilities in accordance with the new payment flow agreed upon in the negotiation of the Bonds.

Thus, due to the pending formal documentation, it was not possible, through alternative audit procedures, to identify whether adjustments or additions to the amounts recorded in the consolidated financial statements of December 31, 2019 would be necessary.

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Relevant uncertainty related to operational continuity

On December 31, 2019, the Company presented consolidated current liabilities higher than the consolidated current assets, by R$ 3,587,315, and negative consolidated shareholders' equity by R$ 11,141,169. In order to guarantee the operational continuity of the Company and its subsidiaries, on December 17, 2019, the Action Plan ("PA") was approved by the Board of Directors, for the next three years, as shown in Note 1 (g). The financial statements have been prepared on the assumption that the Company's business will continue as a going concern and do not include any adjustments relating to the realization and classification of asset values or the settlement and classification of liabilities that would be required if the Company is unable to continue operating. If the financial statements had been prepared considering the discontinuity of operations, they could have presented values different from those presented. Our opinion is not qualified as a result of this matter.

Other information accompanying the consolidated financial statements and auditor's report

The Company's management is responsible for this other information that comprises the Management Report.

Our opinion on the consolidated financial statements does not cover the Management Report and we do not express or will express any form of audit conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We do not have anything to report about this matter.

Emphasis of matter

We draw attention to the explanatory note nº 2.6 to the consolidated financial statements that describes that the consolidated financial statements for the year ended December 31, 2017, presented for comparison purposes, are been restated with this identification, as defined on Brazilian accounting rules NBC TG 23 – Accounting Policies, Estimation Changes and Mistakes Correction and NBC TG 26 (R1) – Financial Statements Presentation, including the following registers and reclassifications:

- Financial expenses identified in 2019 in the direct subsidiaries OECI and CNO related to interest and fines on a liability with Concessionária Rota das Bandeiras S.A. due to the rescission of the contract of engineering, supply and construction of expansion and improvement works of the Dom Pedro I Highway Section that took place in December 2015. The above mentioned adjustment, amounting to R$ 21,804, was made to the "Other liabilities" account in current liabilities as a contra-entry to the opening balance of the statement of changes in equity for 2018, amounting to R$ 3,483, and in the "Finance result, net" account, in the amount of R$ 16,793, and "General and administrative, and selling expenses" account, amounting to R$ 1,527 in the statement of operations (operations) for the year ended December 31, 2018.

- The reversal of contingent liabilities in years prior to 2018, identified in 2019 in the indirect subsidiary CNO Dominican Republic Branch, related to the leniency agreement entered into in that country by ODB, the Company's controlling stockholder, on April 19, 2017. In June 2019, the liability related to the agreement was recorded by ODB and was taken into consideration in its petition for judicial recovery. The above mentioned reversal of the "Provisions for tax, labor, civil and other contingencies" account in current liabilities (R$ 123,603) and non-current liabilities (R$ 320,494) was made as a contra-entry to the opening balance of the statement of changes in equity for 2018 in the amounts of R$ 411,211 and R$ 32,886 in the statement of operations for the year ended December 31, 2018 in the "Finance result, net" account.

- Adjustments from equity in the results of investees in years prior to 2018, identified in 2019 in the indirect subsidiary OOL, related to the investment held until May 2019 in the associate Rio Trens Corporation ("RTC"). The above mentioned adjustment, amounting to R$ 55,478, was made in the "Investment, associates" account in permanent assets as a contra-entry to the opening balance of the statement of changes in equity for 2018.

- Reclassification from the "Advances from customers" account to the "Debts" account in current liabilities for the purpose of comparing the Advance on Foreign Exchange Contract ("ACC"), transaction in the amount of R$ 195,966.

- Negative adjustment from equity in the results of the associate Biocom in the amount of R$ 102,595 in 2018. The above mentioned adjustment was made in the rubric "Other liabilities" account in non-current liabilities as a contra-entry of rubric to the opening balance of the statement of changes in equity for 2018.

- Non-offset of assets and liabilities, for the purpose of presentation, of the balances of the Odebrecht Group companies. The amount of R$ 2,775,813 in the Odebrecht Group companies account was reclassified from non-current assets to non-current liabilities.

- Reversal of the provision of the indirect subsidiary OOL related to the transaction costs of financial operations settled prior to 2019 in the amount of R$ 57,374. The above mentioned reversal was made from the "Other liabilities" account in non-current liabilities as a contra-entry to the "Finance result, net" account in the statement of operations for the year ended December 31, 2018.

- Reversal of the provision for net capital deficiency related to the investments in the associates Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L, Arena Pernambuco Negócios e Investimentos S.A., Construtora Xingó Ltda., Umon – Engenharia de Montagem Ltda. and Unicon – União de Construtoras Ltda., which present a net capital deficiency. In accordance with IAS 28 / CPC 18 (R2), when the investor's interest in the losses for the period of the associate or joint-controlled venture is equal to or higher than the accounting balance of its interest in the investee, the investor must discontinue the recognition of its interest in future losses. The above mentioned reversal was made from the "Provision for net capital deficiency" account in non-current liabilities, amounting to R$ 73,424 and from the "Other assets" account, amounting to R$ 1,922, as a contra-entry to the opening balance of the statement of changes in equity for 2018, amounting to R$ 61,498 and to the "equity in the results of investees" account in the statement of operations for the year ended December 31, 2018, amounting to R$ 13,848.

- Recording of an asset for the purpose of adjusting the incremental expenditures related to OFL's debt restructuring costs in the amount of R$ 12,380. The recording was classified as transaction costs and will be maintained in a suspense account of assets in the "Other assets" account in current assets while the negotiation of the debt is not completed. The contra-entry to this recording was in the "General and administrative and selling expenses" account in the statement of operations for the year ended December 31, 2018.

- Reclassification, for comparison purposes, of the presentation of profit or loss for 2018 of the Company's indirect branches and subsidiaries in Venezuela as discontinued operations, as presented in the reconciliation of loss for the year ended December 31, 2018 (Note 2.6 (b)).

We audited and agreed with the adjustments recorded. Our opinion is not modified about this matter.

Other matters

Audit of comparative balances

The amounts corresponding to the consolidated financial statements originally presented for the year ended December 31, 2018 were audited by us and our report, dated April 24, 2019, containing caveat related to investigations and other legal proceedings conducted by the Federal Public Ministry and other public authorities and paragraph of emphasis on the restatement of the financial statements for the year ended December 31, 2017.

Responsibilities of management for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices, 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 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 standards and ISAs 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 an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 for 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 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;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 identify during our audit.

São Paulo, May 05, 2020.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Celso Luiz da Costa Lobo
Accountant CRC 1 SP 251526/O-6

Odebrecht Engenharia e Construção S.A. and its Subsidiaries

Consolidated Financial Statements
at December 31, 2019

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Consolidated Balance Sheets
In thousands of reais and U.S. dollars

	Note	December 31, 2019 US$	December 31, 2019 R$	December 31, 2018 R$ (Restated)
Assets				
Current Assets				
Cash and Cash Equivalents	6	119,688	482,425	1,804,376
Financial Instruments	7	17,540	70,700	987
Trade Accounts Receivable	8	996,047	4,014,765	5,399,849
Advances to Suppliers, Subcontractors and Others		53,957	217,485	732,858
Taxes Recoverable	9	121,631	490,258	461,681
Inventories	10	113,502	457,493	423,023
Current Accounts with Consortium Members		94,084	379,226	325,766
Prepaid Expenses		8,696	35,052	180,807
Other Assets	11	234,467	945,062	920,459
		1,759,612	7,092,466	10,249,806
Non-current assets held for sale and discontinued operations	14(a)	112,258	452,480	515,927
Non-Current Assets				
Long-term Receivables				
Odebrecht Group Companies	12	673,431	2,714,397	11,818,741
Trade Accounts Receivable	8	492,356	1,984,540	3,522,128
Deferred Income Tax and Social Contribution	13 (a)	204,807	825,517	577,222
Taxes Recoverable	9	12,561	50,630	29,130
Other Assets	11	141,106	568,754	531,995
		1,524,261	6,143,838	16,479,216
Investments				
Associated Companies	15 (b)	61,041	246,038	639,595
Property and Equipment	16	169,560	683,444	907,435
Intangible Assets		41,320	166,550	182,169
Right of use	17	31,391	126,526	
Others		763	3,075	1,853
		1,940,594	7,821,951	18,726,195
Total Assets		3,700,206	14,914,417	28,976,001

	Note	December 31, 2019 US$	December 31, 2019 R$	December 31, 2018 R$ (Restated)
Liabilities and Equity (Net Capital Deficiency)				
Current liabilities				
Debts	18	731,656	2,949,084	603,883
Leases	22	5,265	21,223	
Suppliers and Subcontractors	19	1,014,033	4,087,264	4,219,999
Taxes, Fees, Salaries and Social Contributions	20	286,295	1,153,970	1,704,265
Advances from Customers	8	291,040	1,173,095	2,156,016
Current Accounts with Consortium Members		92,175	371,529	327,757
Provisions for Tax, Labor, Civil and Others Contingencies	21	98,367	396,486	621,509
Other Liabilities	23	130,779	527,130	677,690
		2,649,610	10,679,781	10,311,119
Non-Current Liabilities				
Debts	18	19,906	80,234	69,588
Leases	22	32,444	130,773	
Suppliers and Subcontractors	19	2,114	8,519	12,278
Taxes, Fees, Salaries and Social Contributions	20	12,278	49,490	3,782
Advances from Customers	8	1,612,263	6,498,549	6,531,061
Advance for future capital increase				961,408
Odebrecht Group Companies	12	902,311	3,636,945	3,554,494
Deferred Income Tax and Social Contribution	13 (a)	78,093	314,768	455,828
Provisions for Tax, Labor, Civil and Others Contingencies	21	980,550	3,952,303	3,150,570
Provision for net capital deficiency	15 (b)	51,194	206,346	181,010
Other Liabilities	23	123,521	497,878	665,381
		3,814,674	15,375,805	15,585,400
Equity (Net Capital Deficiency)				
Capital	24 (a)	2,424,301	9,771,631	8,625,625
Carrying Value Adjustments	24 (b)	438,743	1,768,442	1,106,334
Accumulated Deficit		(5,603,773)	(22,587,128)	(6,824,938)
		(2,740,729)	(11,047,055)	2,907,021
Non-Controlling Interest		(23,349)	(94,114)	172,461
		(2,764,078)	(11,141,169)	3,079,482
Total Liabilities and Equity (Net Capital Deficiency)		3,700,206	14,914,417	28,976,001

The accompanying notes are an integral part of these consolidated financial statements.

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Consolidated Statements of Income
Years ended December 31
In thousands of reais and U.S. dollars, unless otherwise indicated

		2019		2018
	Note	US$		R$
				(Restated)
Continuing operations				
Net services and sales revenues	25	1,279,714	5,158,145	7,107,290
Cost of services rendered	26	(961,253)	(3,874,522)	(5,859,104)
Gross profit		318,461	1,283,623	1,248,186
Operating expenses				
General and administrative and selling expenses	26	(470,325)	(1,895,739)	(1,250,328)
Other income (expenses), net		16,089	64,849	(344,543)
Operating loss		(135,775)	(547,267)	(346,685)
Results from investments				
Results from equity investments	15 (b)	(114,934)	(463,264)	(396,718)
Financial result				
Financial result, net	27	(3,281,477)	(13,226,649)	(1,193,478)
Loss before social contribution and income tax		(3,532,186)	(14,237,180)	(1,936,881)
Current income tax and social contribution	28	(128,591)	(518,313)	(812,893)
Deferred income tax and social contribution	28	62,787	253,074	(99,634)
Loss of continued operations for the year		(3,597,990)	(14,502,419)	(2,849,408)
Discontinued Operations				
Loss of discontinued operations for the year	14 (b)	(380,001)	(1,531,669)	(87,052)
Loss for the year		(3,977,991)	(16,034,088)	(2,936,460)
Attributable to:				
Company's Stockholders		(3,910,534)	(15,762,190)	(2,805,233)
Non-controlling interest		(67,457)	(271,898)	(131,227)
		(3,977,991)	(16,034,088)	(2,936,460)
Basic losses per share from continuing and descontinuing operations atributable to stockholders at the end of the year (in R$ and US$ per share)	24 (c)	(0.338)	(1.364)	(0.327)

The accompanying notes are an integral part of these consolidated financial statements.

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Consolidated Statements of Comprehensive Income
Years ended December 31
In thousands of reais and U.S. dollars

	Note	US$	2019	2018
				R$
				(Restated)
Loss for the year		(3,977,991)	(16,034,088)	(2,936,460)
Other comprehensive income:				
Items to be subsequently reclassified to profit or loss:				
Carrying value adjustment - Hedge	24 (b)	(21,223)	(85,544)	(224,879)
Reflection effect of monetary restatement from foreing investees	24 (b)	19,480	78,520	(110,188)
Foreing currency translation adjustment	24 (b)	166,009	669,132	1,168,227
Total comprehensive loss for the year		(3,813,725)	(15,371,980)	(2,103,300)
Attributable to:				
Company's Stockholders		(3,746,268)	(15,100,082)	(1,972,073)
Non-controlling interest		(67,457)	(271,898)	(131,227)
		(3,813,725)	(15,371,980)	(2,103,300)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (Net Capital Deficiency)

In thousands of reais, unless otherwise indicated (continued)

	Note	Attributable to Company's Stockholders: Capital	Carrying Value Adjustment	Accumulated Deficit	Total	Non-Controlling Interest	Total Equity
At January 1, 2018 (Restated)		8,625,625	273,174	(4,022,563)	4,876,236	277,612	5,153,848
Total comprehensive income for the period:							
Loss for the period - R$ (0.327) per share	24 (c)			(2,805,233)	(2,805,233)	(131,227)	(2,936,460)
Other comprehensive income	24 (b)		833,160		833,160		833,160
Total comprehensive income (loss) for the period			833,160	(2,805,233)	(1,972,073)	(131,227)	(2,103,300)
Capital transactions with stockholders:							
Other movements of non-controlling						26,076	26,076
Other adjustment with investees				2,858	2,858		2,858
At December 31, 2018 (Restated)		8,625,625	1,106,334	(6,824,938)	2,907,021	172,461	3,079,482

	Note	Attributable to Company's Stockholders: Capital	Carrying Value Adjustment	Accumulated Deficit	Total	Non-Controlling Interest	Total Equity (Net Capital Deficiency))
At January 1, 2019 (Restated)		8,625,625	1,106,334	(6,824,938)	2,907,021	172,461	3,079,482
Total comprehensive income for the year:							
Loss for the period - R$ (1.364) per share	24 (c)			(15,762,190)	(15,762,190)	(271,898)	(16,034,088)
Other comprehensive income	24 (b)		662,108		662,108		662,108
Total comprehensive income (loss) for the year			662,108	(15,762,190)	(15,100,082)	(271,898)	(15,371,980)
Capital transactions with stockholders:							
Capital increase	24 (a)	1,146,006			1,146,006		1,146,006
Other movements of non-controlling						5,323	5,323
At December 31, 2019		9,771,631	1,768,442	(22,587,128)	(11,047,055)	(94,114)	(11,141,169)

The accompanying notes are an integral part of these consolidated financial statements.

Odebrecht Engenharia e Construção S.A. and its Subsidiaries

Consolidated Statement of Changes in Equity (Net Capital Deficiency)

In thousands of U.S. dollars, unless otherwise indicated

		Attributable to Company's Stockholders					
	Note	Capital	Carrying Value Adjustment	Accumulated Deficit	Total	Non-Controlling Interest	Total Equity (Net Capital Deficiency))
At January 1, 2019 (Restated)		2,139,982	274,477	(1,693,239)	721,220	42,787	764,007
Total comprehensive income for the year:							
Loss for the period - US$ (0.338) per share	24 (c)			(3,910,534)	(3,910,534)	(67,457)	(3,977,991)
Other comprehensive income	24 (b)		164,266		164,266		164,266
Total comprehensive income (loss) for the year			164,266	(3,910,534)	(3,746,268)	(67,457)	(3,813,725)
Capital transactions with stockholders:							
Capital increase	24 (a)	284,319			284,319		284,319
Other movements of non-controlling						1,321	1,321
At December 31, 2019		2,424,301	438,743	(5,603,773)	(2,740,729)	(23,349)	(2,764,078)

The accompanying notes are an integral part of these consolidated financial statements.

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Consolidated Statements of Cash Flows
Years ended December 31
In thousands of reais and U.S. dollars

	2019		2018
Cash flows from operating activities	US$		R$
			(Restated)
Loss before income tax and social contribution from continued and discontinued operations	(3.912.187)	(15.768.849)	(2.023.933)
Adjustments:			
Equity in results of investees	114.934	463.264	396.718
Variation in construction contracts revenue	(345.124)	(1.391.093)	(979.908)
Depreciation and amortization	36.892	148.702	212.428
Amortization of right of use	4.219	17.007	
Residual value of reduction in property and equipment and project expenses	29.639	119.465	148.403
Derivative financial instruments fair value accrual	(42)	(168)	49.461
Presente Value Adjustments	380.672	1.534.376	
Impairment	2.678	10.794	
Estimated losses on doubtful accounts accrual, net	2.077.562	8.374.030	(44.441)
Provision of guarantees	596.313	2.403.559	
Provision for contingencies	91.166	367.463	9.230
Loss of discontinued operations	378.762	1.526.674	
Interest, monetary and foreing exchange variations, net	217.971	878.577	641.159
Cash used in operations	(326.545)	(1.316.199)	(1.590.883)
Changes in assets and liabilities:			
Trade accounts receivable	168.633	679.709	2.984.358
Inventories	(24.607)	(99.183)	253.369
Taxes recoverable	(43.185)	(174.065)	51.178
Prepaid expenses and other assets	98.858	398.467	391.864
Suppliers and subcontractors	(39.370)	(158.688)	(909.337)
Advances from customers	(1.812)	(7.302)	(208.700)
Taxes, rates, salaries and payroll charges	(95.836)	(386.286)	(571.720)
Other liabilities	(121.463)	(489.590)	(748.223)
Net cash used in operating activities from continued operations	(385.327)	(1.553.137)	(348.094)
Net cash used in operating activities from discontinued operations	(2.942)	(11.859)	25.477
Net cash used in operating activities	(388.269)	(1.564.996)	(322.617)
Cash flows from investing activities			
Acquisitions of investments	(16.387)	(66.052)	(1.946)
Disposal of investments	23	92	2.080
Acquisitions of property and equipment and intangible assets	(39.615)	(159.677)	(128.146)
Dividends received	4.178	16.839	92.846
Cash and cash equivalents of subsidiaries included in consolidation, net	(827)	(3.335)	
Net cash used in investing activities	(52.628)	(212.133)	(35.166)
Cash flows from financing activities			
Related parties			
Repayments	(99.258)	(400.078)	(1.498.316)
New loans	101.553	409.330	744.984
Advance for future capital increase			961.408
Short and long-term debt, net			
New loans	64.121	258.454	281.308
Payments of principal	(26.064)	(105.055)	(558.724)
Payments of interest	(438)	(1.765)	(73.953)
New leases	18.055	72.773	
Payments of leases	(981)	(3.954)	
Net cash generated by (used in) financing activities	56.988	229.705	(143.293)
Effect of changes in the exchange rate on cash and cash equivalents	55.939	225.473	(53.187)
Decrease in cash and cash equivalents from continued operations	(325.028)	(1.310.092)	(579.740)
Increase (decrease) in cash and cash equivalents from discontinued operations	(2.942)	(11.859)	25.477
Cash and cash equivalents at the beginning of the year	447.658	1.804.376	2.358.639
Cash and cash equivalents at the end of the year	119.688	482.425	1.804.376

The accompanying notes are an integral part of these consolidated financial statements.

1 Operations

Odebrecht Engenharia e Construção S.A. ("OEC" or the "Company") is a closely-held entity and an integral part of the Odebrecht Group ("ODB Group") headquartered in São Paulo. The Company is the direct parent company of CNO S.A. ("CNO"), OECI S.A. ("OECI"), OENGER S.A. ("OENGER"), Tenenge Montagem e Manutenção Ltda. ("Tenenge"), OEC S.A., OEC Finance Limited and of Odebrecht Holdco Finance Limited.

The main operations of the Company include the planning and execution of engineering projects and works of all types and specialties as a contractor, administrator or other types practiced on the market; civil engineering technical installations, industrial assembly, planning, assistance and technical studies; rendering of administrative or technical services and other related economic activities, including the import and export of services and goods related to the engineering and construction activities.

Through its direct and indirect subsidiaries and their branches, the Company indirectly operates in the following countries: Brazil, Angola, Dominican Republic, Panama and Peru.

In the heavy civil construction segment, the main direct and indirect subsidiaries of the Company, CNO, OECI and CBPO Engenharia Ltda. ("CBPO") develop construction projects involving highways, railways, hydroelectric, thermoelectric and nuclear plants, port facilities, dams and other industrial and infrastructure projects.

The main projects that are currently being carried out through the subsidiaries and associates in Brazil are: BRT Belém, Submarine Project, Baixo Iguaçu Hydroelectric Plant, Sertão Alagoano Influent Channel, Belo Monte Hydroelectric Plant, Santa Cruz Thermoelectric Plant and BH Health Units, in addition to many contracts for the provision of services in industrial plants. Abroad, the main projects in activity are: Laúca Hydroelectric Plant (Angola), MDX 836 Highway, BHS and Cargo Yard Port of Miami (United States of America), Tocumen International Airport and Panama Subway, Renovacion Urbana de Colon and Madden Colon (Panama) and Punta Catalina Thermoelectric Plant (Dominican Republic).

(a) Operation "Lava-Jato" (Car Wash)

Investigations and other legal procedures conducted by the Federal Public Prosecution Service ("MPF") and other public authorities have been in progress since 2014 in the context of the operation called "Lava-Jato" (Car Wash). These investigations involve companies, former executives and executives of the Company and its subsidiaries, including CNO.

Concurrently and as a result of Operation Car Wash, since 2015, the Federal Public Prosecution Office, the Office of the Solicitor General ("AGU"), some state public prosecution offices and Petrobras S.A. have been filing administrative improbity actions against Odebrecht S.A. ("ODB"), the Company, some of its subsidiaries and some executives and former executives, requiring the payment of compensation and a fine, and establishing a ban on entering into contracts with governmental offices and receivement of tax or credit benefits or incentives, among other things.

On March 22, 2016, the Odebrecht Group released a statement about its intent to fully cooperate with the Operation Car Wash investigations.

Global Agreement with the Authorities

On December 1, 2016, ODB, in the capacity of controlling stockholder of the companies that are part of ODB Group, entered into a Leniency Agreement with the Federal Public Prosecution Office, taking responsibility for all of the illicit acts that are the subject matter of the above mentioned agreement, except for Braskem S.A. ("Braskem"), as reflected in its financial statements. This Agreement is part of a Global Agreement coordinated by the proper authorities in Brazil, the United States and Switzerland, according to which ODB, or any other company that is part of its economic group, undertook to pay the aggregate amount equivalent to R$ 3,828 million over 23 years, in annual customized installments adjusted based on the Selic basic interest rate. On August 8, 2019, the above mentioned agreement was amended, changing the payment schedule, and the Company became the subsidiary guarantor of these obligations.

The purpose of this Leniency Agreement is the recognition of illicit acts and reparation of damages caused, as well as cooperation with the Federal Public Prosecution Service and other authorities with respect to the investigations, and the ODB Group is also seeking to preserve and maintain its activities, resume entering into contracts with public authorities and receive funds from banks and public authorities in Brazil and abroad.

The Braskem has also entered into a separate Global Agreement with Brazilian and U.S. authorities.

Due to the above mentioned Leniency Agreement, the Federal Public Prosecution Office undertook to (i) not file civil lawsuits and additional actions for the reimbursement of amounts arising from the complaints and facts related to Operation Car Wash, and (ii) to not apply administrative improbity sanctions, and to work with other public bodies, state-owned companies and mixed capital companies so that they can remove any file restrictions for ODB, the Company and its subsidiaries.

On July 9, 2018, ODB and its subsidiaries entered into the Leniency Agreement with the Office of the Solicitor General, the Ministry of Transparency and the Brazilian Government Accountability Office under which they committed to pay, over twenty-two (22) years, the total amount of R$ 2,727 million, to be deducted from the R$ 3,828 million agreed upon under the Leniency Agreement entered into with the Federal Public Prosecution Office.

The direct subsidiary of the Company, CNO, has already entered into 8 (eight) Leniency Agreements with the General Superintendency of the Brazilian antitrust agency ("CADE"). Additionally, on November 22, 2018, CADE's Court ratified 6 (six) Instruments of Commitment to Cease, totaled R$ 507 million in terms of monetary contributions from the legal entity and individuals. CNO continues to negotiate with CADE the signing of other instruments of commitment to cease.

CNO has been negotiating with states and municipalities the signing of agreements and/or adherences to the Leniency Agreement according to which, in consideration for not adopting sanctions against it, it will undertake to cooperate with the authorities and indemnify those injured. The amount of such indemnity should also be deducted from the R$ 3,828 million agreed upon in the Leniency Agreement entered into with the Federal Prosecution Office.

On January 29, 2019, an agreement between CNO and the World Bank was announced according to which CNO and its wholly-owned subsidiaries are not qualified to contract projects financed by the World Bank for a period of 03 (three) years. No fine was imposed under the agreement.

On September 04, 2019, an agreement between the Company, CNO and the Inter-American Development Bank ("IDB") was announced, establishing that the Company and some of its wholly-owned subsidiaries, except for the branches and subsidiaries in Africa, were ineligible to contract projects financed by the IDB until August 1, 2024).The payment of a monetary contribution of R$ 50 million, starting in 2024, was also agreed upon, taking into account the payment terms of the agreement. The Company and CNO are negotiating agreements with another international institution for the execution of a new agreement.

In its operations abroad, the Company and its subsidiaries continue to make their best efforts to come to an understanding with local authorities for sealing cooperation/leniency agreements, while also seeking the support of the Brazilian authorities in the dialogue with the local authorities. To date, in the scope of the ODB Group, agreements have already been entered into with authorities in the Dominican Republic, Ecuador, Panama, Guatemala and Peru, in addition to authorities in the U.S., Switzerland and Brazil.

Independent Monitoring

The commitments assumed with the authorities that are signatories to the Leniency Agreements and Instruments of Commitment seek to improve the Company's controls in an efficient and sustainable manner. In the scope of this monitoring are the assessment of the Compliance System aimed at the maintenance of an appropriate control environment with a special focus on compliance with the applicable anticorruption laws and rules of conduct, and the implementation of efficient internal control in the processes of contracting and paying third parties, making reimbursements and making accounting entries with quality supporting documents.

The Company and its subsidiaries are currently under a supervision process since 2017, and will be monitored for a period of three years, by two offices of independent monitors appointed by the U.S. and Brazilian authorities, which report directly to the above mentioned authorities and work in a coordinated manner, and their main objective is to verify whether the Company and its subsidiaries have complied and will continue to comply with all the commitments assumed under the Global Agreement. After the end of each monitoring year, a report is issued in which the monitors present the analyses of the progress made by the Company and point out opportunities for adjustments to strengthen the internal control environment.

In the first half of 2019, the focus of the meetings with the independent monitors was to confirm the sustainability of the measures implemented by the Company in the first two years of the monitoring. In June 2019, when the petition for judicial recovery was filed by ODB (parent company of the Company and signatory to the Leniency Agreement), the activities of the independent monitors were temporarily suspended.

Regardless of the temporary suspension of the monitoring process, OEC continued to implement the measures necessary to fully meet all recommendations made by the monitors that were aimed at the continuous improvement of its Compliance System.

The independent monitoring was resumed in February 2020 and the monitoring team proposed a new work schedule with an extension of the term that is equivalent to the interruption period so that the third year of monitoring can end by November 16, 2020.

Management actions

The Company and its subsidiaries have an ongoing commitment to operate with ethics, integrity and transparency, in accordance with the best international governance practices and applicable laws, rules and regulations, as well as with Company's policies, ensuring a conduct based on ethical principles and values.

Many initiatives related to improvements of financial process controls, such as guidelines and new operational processes, were implemented for the purpose of providing further corporate security to the Company. New compliance and financial control indicators and targets were defined and are being applied in the assessment of the performance of the Company's executives.

Compliance System

In 2014, the Company started the process to implement the Compliance System on a standardized basis in all countries where it operates for the purpose of addressing the practices and procedures to ensure compliance of the business with the legal requirements and principles of ethical and responsible conduct in the corporate environment. Among the elements of the Compliance System implemented by the Company and its subsidiaries in 2014 are: (i) implementation of the Code of Conduct that has already been approved by the Board of Directors; (ii) creation and operation of the Ethics Line Channels that are available 24/7 to employees, service providers, suppliers, customers and the general public; (iii) creation of the Ethics Committee to monitor the investigation processes with a schedule of periodic meetings; and (iv) engagement of the commercial partners, through the inclusion of contractual provisions, with mandatory adherence to the Code of Conduct of Suppliers and the Anticorruption Clause.

After the implementation of the Compliance System, the Company maintained continuing improvement efforts that resulted in the implementation of measures to improve its Governance and Compliance, such as: (i) participation (minimum of 20%) of independent members in the composition of the Board of Directors; (ii) creation of the Compliance and Audit Committee (CCA) as a permanent committee of the Board of Directors; and (iii) contracting of the Chief Compliance Officer, who will report directly to the Company's Board of Directors through the CCA.

Currently, the Company has two independent members on its Board of Directors, who represent 29% of the total number of members on the Board of Directors. The two independent members serve on the CCA and one of them is the Coordinator of the committee.

The contracting of a Chief Compliance Officer for the Company has driven and accelerated the implementation of significant improvements in the Compliance system, including: (i) process of due diligence of third parties; (ii) new guidelines: for Gifts, Courtesies and Amenities, Interaction with Public Agents, Sponsorships, Donations and Social Investments, Payment of Facilitation, Extortion and Solicitation and Competition Integrity; (iii) preparation of annual training plans; (iv) improvement in the process of communication of the Compliance System with the creation of dedicated intranet and the issuance of new compliance guidelines; and (v) reformulation of the operation of the Ethics Line Channel, using an independent specialized company in the receipt of complaints, as well as support of external Law firms in the investigation of cases that are considered high risk.

The Compliance program is supported by activities that support risk management, detection of flaws, correction and transparency. Digital platforms that, when globally applied, help the management of compliance processes. For example, the procedure of due diligence of suppliers, customers, partners and employees is compulsory for all commercial and labor relationships intended by the Company. In 2019, 13,278 analyses were made based on information from the VCoM (Vendor Compliance Management System) portal. With respect to communication and training, the activities follow annual plans approved by OEC's Board of Directors. The participation of employees in the required training programs is monitored by the Company's e-learning platform and it achieved, in 2019, an attendance rate of 98% of the employees defined as the target group and 100% of the Company's senior management. Meanwhile, the Ethics Line Channel, the main tool for recording the complaints about conducts that breach the Commitment to Ethical, Honest and Transparent Work, received, in 2019, 276 reports, which were investigated in an independent manner by the Compliance Department and generated 93 disciplinary measures, 29 of which are improvement measures, and 17 dismissals. The number of reports in 2019 was 45% higher than in 2018, indicating an increase in the level of knowledge and trust of employees and third parties with respect to the operation of the Ethics Line Channel.

With respect to the performance and maturity of the Compliance Program, the Core Compliance Department, structured in the second half of 2018, monitors on a permanent basis compliance with and the effectiveness of the key processes of the Compliance System, based on standardized and regular data mining tests. The respective department offers a consolidated view of the observance of the Company's compliance policies and guidelines, generating metrics that objectively measure the performances achieved. As examples, in 2019, 1,158 actions were started for testing and checking processes, 613 contracts with third parties were reviewed with respect to compliance requirements and 208 employee contracting processes were reviewed to check whether requirements were met for the assessment of conflicts of interest (5% of total contracting). The Core Compliance Department is also responsible for the global monitoring of compliance with the contracts entered into by the Company and the evolution of which is reported to the Compliance and Audit Committee and the Board of Directors.

As part of the maturation process of the Company's corporate governance, the Board of Directors approved, in June 2019, the direct reporting by the Internal Audit Department to the Company's Board of Directors, operating as a "third line of defense". Among the matters resolved upon by the Board of Directors, there are the approval of (i) the Annual Compliance Plan, (ii) the Annual Internal Audit Plan, (iii) the Annual Training Plan, (iv) the individualization of the annual management compensation and (v) the assessment of performance, profile and authorities of the Board of Directors itself.

The Annual Compliance and Internal Audit plans approved for 2019 were based on a risk analysis of the places where the Company operates, the projects in progress and the internal processes, taking into consideration, among other aspects, the analysis carried out in the previous year and new surveys on risk perception answered by the Company's senior management.

In the second half of 2019, the efforts to improve the Company's processes and systems continued with the creation of the Internal Control Department, seeking to promote, on a cross-cutting basis, further integration, consistency, efficiency and sustainability for the control environment. Many guidelines were updated as a result of the assessment and monitoring of the implemented controls in a continuous improvement process.

The assessment of risks, updated in October and November 2019, to guide the planning cycle of the Compliance and Internal Audit activities for 2020, indicated stability in the main mapped risks, justifying the focus on sustainability of both programs.

These financial statements for the year ended December 31, 2019 were approved by the Company's Management on May 05, 2020.

(b) OFL Bonds

In October 2018, Odebrecht Finance Ltd. ("OFL") did not to settle the interest installment related to the Bond 2025 and the Company, the OECI and the CNO, in the capacity of guarantors of OFL Bonds, aiming at preserving their operational liquidity, did not pay them either. Also, the interest installments related to the Bonds 2020, 2022, 2023, 2029, 2042 and the Perpetual Bonds ("Bonds") that fell due between December 2018 and December 2019 have not been paid. The amount that had not been settled by December 31, 2019 was US$ 255,691 – R$ 1,030,614 (December 31, 2018 – US$ 72,127).

On June 17, 2019, OFL, ODB and other companies of the ODB Group, excluding the Company and its subsidiaries, formalized their petition for judicial recovery with the courts of São Paulo. OFL declared in its petition for judicial recovery the amounts due on the Bonds, which resulted in the respective early maturity.

Even though the Company and its subsidiaries are not part of the group of companies that formalized the petition for judicial recovery with the courts of São Paulo, as guarantor, the Company contracted Moelis & Company ("Moelis"), Cleary Gottlieb Steen & Hamilton and E. Munhoz Advogados to discuss and negotiate a restructuring operation of the guarantee with a group of OFL bondholders that had set uo an Ad Hoc Group to carry out negotiations with the Company. On August 30, 2019, the Company disclosed the agreement obtained with the Ad Hoc Group with respect to the main terms and conditions for restructuring the Bond liabilities ("Term Sheet").

In general terms, the Term Sheet defined issues that involve the cancellation of the current obligations of the Company with respect to the Bonds in exchange for: (i) New Bonds issue, representing 45% of the current Bond amounts; and (ii) a participation debt instrument that will entitle holders to future distributions of results related to the Company's performance. The grace period of the New Bonds will be 4.5 years longer, starting on the date of their original maturity and they will bear the same current interest rates and, in the first five years, the Company will have the option to capitalize this interest, in whole or in part.

On December 31, 2019, the Company, in view of the early maturity of the OFL Bonds arising from the petition for judicial recovery by OFL, recorded the amount of US$ 627,201 – R$ 2,528,058 in its current liabilities as a contra-entry to finance result as a provision for guarantee and this amount reflected the fair value of the OFL Bonds in accordance with the terms described on the Term Sheet.

The Company is currently negotiating with the Ad Hoc Group for the launch of the Consent Solicitation in the market based on the terms and conditions of the Term Sheet, so as to obtain the quorum (minimum required) of 60% of the OFL Bond holders, thus allowing for the ratification in Brazil of the Extrajudicial Recovery necessary for the implementation of the Bonds' restructuring. If this quorum of 60% is not reached and the Extrajudicial Recovery is not filed, the Company shall recognize in a provision in its balance sheet the total amount due related to the OFL Bonds, which, on December 31, 2019, is equivalent to US$ 3,144,995 – R$ 12,676,527 (December 31, 2018 – US$ 2,946,849).

After the ratification of the extrajudicial Recovery, the above mentioned provision will be recognized as a debt and classified as current and non-current liabilities in accordance with the new payment flow agreed upon in the negotiation of the Bonds.

(c) Related parties – ODB Group – Companies under judicial recovery

As mentioned above, on June 17, 2019, ODB and 19 other companies of its economic group, excluding the Company and its subsidiaries, formalized with the courts of São Paulo their petition for judicial recovery, but the respective recovery plans had not been approved by December 31, 2019.

On April 22, 2020, ODB and 11 companies of its economic group had their judicial recovery plans approved by the General Creditors' Meeting, which are expected to be ratified by the judge in charge of the judicial recovery proceeding.

However, due to the increasingly remote probability of receiving the credits from the related companies of the ODB Group, the Company's management assessed the need to recognize an impairment on such credits, amounting to R$ 8,167,720 – US$ 2,026,378, as described in Note 12 (c).

(d) Discontinued operations - Venezuela

On September 11, 2019, due to the critical economic situation and the unstable political environment in Venezuela, several engineering and construction companies, including the Company, were notified of the unilateral rescission of most of their contracts with entities of the Venezuelan State. This procedure adopted by the Venezuelan State disregarded several legal issues that are relevant and the Company has been seeking to defend its interests before the proper institutions.

In thousands of reais and U.S. dollars, unless otherwise stated

Thus, on September 30, 2019, the Company recorded impairment for all the assets it holds in Venezuela, as described below:

	US$	R$
Current Assets		
Trade Accounts Receivable	(360,259)	(1,452,094)
Advances to Suppliers, Subcontractors and Others	(7,732)	(31,167)
Inventories	(11,338)	(45,702)
Other Assets	(10,397)	(41,909)
Non-Current Assets		
Other Assets	(1)	(6)
Property and Equipment	(2,678)	(10,794)
Total Assets	(392,405)	(1,581,672)

The amount of trade accounts receivable is net of the amount received in advance under the contract.

The above mentioned loss, amounting to R$ 1,581,672 – US$ 392,405, were recognized in the Company's profit or loss as discontinued operations, as described in Note 14 (b).

On December 31, 2019, the Company reassessed the effects recorded on September 30, 2019 and no changes were identified although it is still assessing possible legal measures to be adopted by OEC against the Venezuelan government (in initial phase of preparation).

(e) Constructora Norberto Odebrecht de Colombia SAS – under court liquidation ("CNOC")

On November 14, 2019, the Superintendency of Companies of Colombia announced record No. 460-009805 determining the filing for the court liquidation of the Company's indirect subsidiary CNOC, appointing the liquidator and thus causing the petition for voluntary winding up made previously in October 11, 2019, filed with the Trade Chamber, to be null and void.

On December 17, 2019, the Company presented to the liquidator the balance sheet on the liquidation basis and the amount of the net capital deficiency was R$ 175,393 – US$ 43,514.

Accordingly, on December 31, 2019, CNOC was no longer consolidated in the Company's balance sheet due to the loss of control over this investment, and its above mentioned net capital deficiency was recognized as "other liabilities" in the Company's non-current liabilities. The Company identified the need to recognize an allowance for expected losses with related parties presented in Note 12 (a), amounting to R$ 59,661 – US$ 14,802 and of Note 12 (b) amouting to R$ 37,532 – US$ 9,312.

(f) Receivables from BIOCOM - Adjustment to present value

The purpose of Biocom – Companhia de Bioenergia de Angola Ltd. ("Biocom"), incorporated on October 25, 2007, is the production, industrialization, import, export and sale of sugar cane for the production of sugar, ethanol and electric energy in Angola. Biocom's current stockholders are: OAL (40%), COCHAN S.A. (40%) and SONANGOL HOLDINGS, LIMITADA (20%) ("Stockholders").

The balance of the credits held by the companies controlled by OEC (OOL, OSE, CNO and OAL) with Biocom represented, on December 31, 2019, the amount of US$ 405,6 million – R$ 1,635 billion ("Credits with Biocom").

On December 06, 2019, Biocom's stockholders, together with local Banks (Banco Angolano de Investimentos – BAI, Banco de Fomento Angola – BFA and Banco Econômico – BE) made efforts to formulate the terms of the renegotiation of the loans contracted by Biocom, as reflected in the Indicative Fact Sheet ("FIT"), which is awaiting confirmation and signatures. In general terms, the FTI indicates that there will be, among other things: i) the conversion of the currency of the loans from U.S. dollars to Angolan Kwanza; ii) the extension of the term for the payment of the principal amount to 42 quarters (126 months – 10.5 years); iii) the renegotiation of the interest rates and payment schedule; and new accessory obligations. Additionally, the FIT determines the subordination of all existing debts of Biocom with its stockholders and companies directly or indirectly controlled by the stockholders to the reimbursement of the debts renegotiated with the local banks.

Accordingly, in accordance with the terms of the FIT, the new term for the payment of the renegotiated bank debt will be 126 months (10.5 years) and only after the end of the settlement of the restructured bank debts will the stockholders the controlling companies be able to receive any credits.

That said and taking into consideration the new term for receipt (10.5 years), the Credits with Biocom were adjusted to present value, representing, on December 31, 2019, the amount of US$ 29,5 million – R$ 118,1 million. As a result, the Company recorded a write-off in its current and non-current assets as a contra-entry to the finance result, in the amount of R$ 1,516,182 – US$ 376,158 , as adjustment to present value.

(g) Going Concern

The operating segment of the Company and its subsidiaries is the heavy civil construction in projects for the construction of highways, railways, hydroelectric, thermoelectric and nuclear plants, port installations, dams, among other industrial and infrastructure projects for public and private customers, and their main source of resources is the generation of cash from these projects.

Operation Lava Jato (Car Wash): As described in Note 1 (a) since 2014, investigations and other legal procedures have been conducted by the Federal Public Prosecution Office and other government authorities in the context of the operation called "Lava-Jato" (Car Wash).

In view of the investigations that are in progress and despite the agreements entered into, the Company and its subsidiaries suffered harsh reputational effects that significantly impacted its finances (that had already been hit by other effects such as the drop in oil prices and the economic recession facing countries and customers where the Company and its subsidiaries operate). This scenario limited the access of the Company and its subsidiaries to credit with commercial banks, insurance companies and the capital markets, directly affecting their capacity to renew the portfolio of new contracts and, consequently, their cash flow generation.

OFL Bonds: As described in Note 1 (b), OFL Bonds, in June 2019, OFL, ODB and other companies of ODB's economic group, which does not include the Company and its subsidiaries, formalized their petition for judicial recovery with the courts of São Paulo. OFL declared in the above mentioned petition the amounts due related to the Bonds, which resulted in their respective early maturity.

As a guarantor, the Company, in view of the early maturity of the OFL Bonds, recorded, on December 31, 2019, in its current liabilities and finance result, the amount of US$ 627,201 – R$ 2,528,058, which reflects the fair market value of the Bonds based on the terms and conditions in the Term Sheet agreed upon with the Ad Hoc Group of the OFL Bond holders.

If the terms and conditions of the Term Sheet cannot be complied with via the Extrajudicial Recovery in Brazil (which requires the minimum approval of 60% of the creditors), the Company must recognize in a provision in its balance sheet in the totality of the amount due on the OFL Bonds, which is equivalent, on December 31, 2019, to US$ 3,144,995 – R$ 12,676,527.

Related parties – ODB Group – Companies under judicial recovery: As described in Note 1 (c), by December 31, 2019, the companies of the ODB Group that are under judicial recovery, which do not include the Company and its subsidiaries, had not yet approved their recovery plans on the respective creditors' meetings. However, the Company's management assessed the need to record an impairment loss on the intercompany credits. The total amount recorded in the Company's profit or loss was R$ 8,167,720 – US$ 2,026,378 , as described in Note 12 (c).

Venezuela: In September 2019, as mentioned in Note 1 (d), the Company's subsidiaries in Venezuela were notified of the unilateral rescission of most of their contracts with government entities in Venezuela. Therefore, the Company assessed the accounting impacts for the period ended September 30, 2019 and recognized the respective allowances for losses in profit or loss for the year as "discontinued operations" in the amount of R$ 1,581,672 – US$ 392,405.

Management Actions: In view of these events, in order to mitigate the impacts on the cash of the Company and its subsidiaries, management implemented several actions, namely: i) a geographical restructuring process focused on countries that can potentially contract construction works from the Company and its subsidiaries, ii) the strengthening of corporate governance, with the establishment of the Board of Directors and supporting committees to the Board of Directors (with the participation of independent members), iii) creation of an Internal Audit and Internal Controls Department, iv) Compliance System aimed at addressing practices and procedures to ensure compliance by businesses with legal requirements and principles of ethical, honest and transparent conduct in corporate activities, v) administrative restructuring, adapting the size of the supporting staff to the new size of the Company, vi) sale of assets and past credits to ensure the Company's liquidity, vii) restructuring of short-term debts and trade accounts payable viii) renegotiation of terms and conditions of the OFL Bonds with the Ad Hoc Group, and ix) production maintenance for the contracts in the portfolio.

Accordingly, the commitments assumed by the Company and its subsidiaries with respect to the cooperation agreements and indemnities, which required investments to implement the Compliance System and strengthen the corporate governance, together with the low volumes of renewal of the contracts in the portfolio, which impaired the Company's ability to generate cash and cash equivalents, and the provisions for (i) the guarantee of the OFL Bonds (ii) the credits receivable from the ODB Group companies that are under judicial recovery and (iii) the discontinued operation in Venezuela and (iv) the adjustment to present value of the credits held by the companies controlled by OEC with Biocom, among others, resulted in an excess of consolidated current liabilities over consolidated current assets of R$ 3,587,315 – US$ 889,998 and in a consolidated net capital deficiency of R$ 11,141,169 – US$ 2,764,078.

Action Plan 2020 – 2022: In order to ensure the going concern and growth of the Company and its subsidiaries, OEC's Board of Directors approved, on December 17, 2019, the Action Plan ("PA") for the next three years, which includes the following actions and strategic directions, as summarized below:

- Financial health: i) completion of the negotiation for restructuring the guarantee for the OFL Bonds by the Company in accordance with the terms agreed upon in the Term Sheet mentioned in Note 1 (b) so as to adjust the Company's capital structure and payment flows to its cash generation capacity and ii) renegotiation of trade accounts payable and working capital debts.

- Solution and mitigation of litigations and liabilities: i) negotiation of agreements through payments in installments and ii) negotiation of agreements in the countries where OEC operates for payments in accordance with the local financial capacity of each country.

- Organizational restructuring and reduction of costs: i) restructuring of the administrative staff, with shared structures, ensuring synergies, agility and lower costs and ii) implementation of new compensation policies aimed at reducing administrative expenditures.

- Backlog replacement: i) geographical, selective and strategic focus on five countries (Brazil, Peru, Panama, Dominican Republic and Angola), ii) obtainment of new projects in the amount of US$ 6.6 billion, with greater intensification with private customers, iii) search for strategic partnerships with technology and capital providers, jointly participating in the development of projects, iv) search for alternative sources of financial resources and v) implementation of contractual solutions that make possible the optimization of the use of the performance guarantee capacity that is made available by the market.

The Company believes that the resumption of growth is essential for it to continue as a going concern. However, should the combined events described not take place, management believes that it will face significant difficulties to resume its growth. The current financial statements do not take into consideration adjustments that would be necessary in case the Company and its subsidiaries not be able to continue as a going concern normally.

2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. Except for the changes that took place after the adoption of the new standards (Note 2.1 (a)) these policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, which comprise the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC"), transformed into the Brazilian Accounting Standards – NBC TG by means of resolutions of the Federal Accounting Council, which are converged with International Financial Reporting Standards (IFRS) issued by IASB.

The consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial assets and financial liabilities measured at fair value. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management of the Company and its subsidiaries to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3

2.2 Consolidation

(i) Subsidiaries

The Company controls an entity (including structured entities) when it is exposed or has the right to variable returns from its involvement with the entity and is able to affect these returns because of the power it exercises over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Company. They are deconsolidated on the date that control ceases.

Transactions, balances and unrealized gains on transactions between the consolidated companies are eliminated. Unrealized losses are also eliminated, unless they indicate an impairment of the asset transferred. The accounting policies of subsidiaries are changed, whenever necessary, in order to ensure consistency with the policies adopted by the Company.

In thousands of reais and U.S. dollars, unless otherwise stated

(ii) Consolidated companies

The consolidated financial statements include those of the Company and its subsidiaries in which the following direct and indirect control is held as of December 31, 2019 and 2018:

			Direct Holding (%)	
		Country	December 31, 2019	December 31, 2018
CNO	(a)	Brazil	97.01	96.57
OECI	(b)	Brazil	100.00	100.00
OENGER	(c)	Brazil	100.00	100.00
Tenenge Montagem e Manutenção Ltda.	(d)	Brazil	88.93	
OEC S.A.	(e)	Brazil	100.00	
OEC Finance Limited	(e)	Cayman Islands	100.00	
Odebrecht Holdco Finance Limited	(e)	Cayman Islands	100.00	

			Indirect Holding (%)	
		Country	December 31, 2019	December 31, 2018
Belgrávia Serviços e Participações S.A. ("Belgrávia")		Brazil	100.00	100.00
CNOC	(j)	Colombia		100.00
Constructora Odebrecht Chile S.A.		Chile	100.00	100.00
Construtora Norberto Odebrecht S.A. - Angola		Angola	100.00	100.00
CNO S.A. - Argentina		Argentina	100.00	100.00
Construtora Norberto Odebrecht S.A. - Bolívia		Bolivia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Colômbia ("CNO Colômbia")		Colombia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Costa Rica		Costa Rica	100.00	100.00
Construtora Norberto Odebrecht S.A. - Emirados Árabes		Arab Emirates	100.00	100.00
Construtora Norberto Odebrecht S.A. - Equador		Ecuador	100.00	100.00
Construtora Norberto Odebrecht S.A. - Gana		Ghana	100.00	100.00
Construtora Norberto Odebrecht S.A. - Guatemala		Guatemala	100.00	100.00
Construtora Norberto Odebrecht S.A. - México		Mexico	100.00	100.00
Construtora Norberto Odebrecht S.A. - Moçambique		Mozambique	100.00	100.00
Construtora Norberto Odebrecht S.A. - Panamá		Panama	100.00	100.00
Construtora Norberto Odebrecht S.A. - Paraguai		Paraguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Peru		Peru	100.00	100.00
Construtora Norberto Odebrecht S.A. - República Dominicana		Dominican Republic	100.00	100.00
Construtora Norberto Odebrecht S.A. - Uruguai		Uruguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Venezuela		Venezuela	100.00	100.00
Libyan Brazilian Construction and Development Company		Libya	60.00	60.00
Tenenge Montagem e Manutenção Ltda	(d)	Brazil	11.07	100.00
Odebrecht de Argentina S.A.		Argentina	100.00	100.00
Odebrecht Industrial, Inc.		USA	100.00	100.00
Bento Pedroso Construções, S.A.	(f)	Portugal	100.00	100.00

In thousands of reais and U.S. dollars, unless otherwise stated

			Indirect Holding (%)	
		Country	December 31, 2019	December 31, 2018
CBPO		Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina		Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile		Chile	100.00	100.00
CBPO Engenharia Ltda. - Colômbia		Colombia	100.00	100.00
CBPO Engenharia Ltda. - Peru		Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai		Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela		Venezuela	100.00	100.00
CBPO Engenharia Ltda. - Panamá		Panama	100.00	100.00
CBPO Ingeniería de Venezuela C.A.		Venezuela	100.00	100.00
CBPO Overseas Limited.		Cayman Islands	100.00	100.00
Centaurus Investments Limited		Cayman Islands	100.00	100.00
Companhia de Obras e Infra Estrutura		Brazil	100.00	100.00
COI Cuba		Cuba	100.00	100.00
Constructora Norberto Odebrecht del Ecuador S.A.		Ecuador	100.00	100.00
Constructora Odebrecht Uruguay S.A.		Uruguay	100.00	100.00
COI Overseas, Ltd.		British Virgin Islands	100.00	100.00
Participações Energéticas S.A.		Brazil	100.00	100.00
Construtora Norberto Odebrecht de Panamá S.A.		Panama	100.00	100.00
Multitrade S.A.		Brazil	100.00	100.00
Odebrecht Global Sourcing Inc.		USA	100.00	100.00
Odebrecht Services GMBH		Austria	100.00	100.00
CBPO Overseas Sucursal República Dominicana		Dominican Republic	100.00	100.00
Odebrecht Industrial Engineering America		USA	100.00	100.00
Odebrecht Angola Projectos e Serviços Ltda.		Angola	100.00	100.00
Odebrecht Angola - Construção e Projectos de Energia, Limitada		Angola	100.00	100.00
Odebrecht Solution Inc.		Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.		Malta	100.00	100.00
Odebrecht Construction, Inc.		USA	100.00	100.00
Odebrecht Engeneering & Construction Ltd.		Malta	100.00	100.00
Odebrecht Solution Malta		Malta	100.00	100.00
Odebrecht Ingeniería y Construcción de España, S.L.		Spain	100.00	100.00
Odebrecht Ingeniería y Construcción Internacional de México, S de RL de CV.		Mexico	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias SGPS S.A.		Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Rodoviárias SGPS S.A.		Portugal	100.00	100.00
Odebrecht Services Limited		United Kingdom	100.00	100.00
Odebrecht Overseas, Ltd. ("OOL")		Bahamas	100.00	100.00
Odebrecht Peru Ingeniería y Construcción S.A.C.		Peru	100.00	100.00
Odebrecht Industrial Engeneering B.V.		Holanda	100.00	100.00
OEC Serviços de Exportação S.A.	(g)	Brazil	100.00	100.00
Odebrecht Serviços no Exterior, Ltd.		Cayman Islands	100.00	100.00
Tenenge (UK) Ltd.		United Kingdom	100.00	100.00
Tenenge Overseas Corporation		Cayman Islands	100.00	100.00
Concesionaria Madden Colon		Panama	100.00	100.00

			Indirect Holding (%)	
		Country	December 31, 2019	December 31, 2018
Construtora Norberto Odebrecht de Guatemala S.A.		Guatemala	100.00	100.00
Odebrecht Global Sourcing South Africa		South Africa	100.00	100.00
HG Market Group Corp		Barbados	100.00	100.00
Odebrecht Latinvest Concesionarias S.A.C.		Peru	100.00	100.00
Odebrecht International Services, Ltd.		Cayman Islands	100.00	100.00
Odebrecht Engenharia e Construção Participações S.A.		Brazil	100.00	100.00
Odebrecht Servicios Integrales de México, S de RL de CV.		Mexico	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - Equador		Ecuador	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - Bolívia		Bolivia	100.00	100.00
OECI Ghana Limited		Ghana	100.00	100.00
CBPO Colombia SAS		Colombia	100.00	100.00
Odebrecht Services S.à.r.l		Luxembourg	100.00	100.00
Odebrecht Mining Services, Inc. ("OMSI")	(h)	Luxembourg	100.00	100.00
Odebrecht International Participations S.à r.l.		Luxembourg	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - Colômbia		Colombia	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - República Dominicana		Dominican Republic	100.00	100.00
OECI S.A. - Argentina		Argentina	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - Moçambique		Mozambique	100.00	100.00
CBPO Ingeniería y Construcción de México S.A. de C.V.		Mexico	100.00	100.00
OEC Guyana Inc.	(i)	Guyana	100.00	100.00
CSC OEC - Panamá, S.A.	(i)	Panama	100.00	

(a) Corporate name changed on May 5, 2019 to CNO S.A. Previously named Construtora Norberto Odebrecht S.A.
(b) Corporate name changed on May 31, 2019 to OECI S.A. Previously named Odebrecht Engenharia e Construção Internacional S.A.
(c) Corporate name changed on June 6, 2019 to OENGER S.A. Previously named OEC S.A.

(d) Corporate name changed on August 8, 2019 to Tenenge Montagem e Manutenção Ltda. Previously named Odebrecht Engenharia de Projetos Ltda. On December 31, 2019, the company became a direct investee of the Company, which now has an 88.93% direct interest and an 11.07% indirect interest.
(e) Companies incorporated on December 18, 2019
(f) Corporate name changed on May 22, 2019 to Bento Pedroso Construções, S.A. Previously named Odebrecht Portugal S.A.
(g) Corporate name changed on September 23, 2019 to OEC Serviços de Exportação S.A. Previously named Odebrecht Serviços de Exportação S.A.
(h) Sale of all shares of the OMSI in March, 2019.
(i) Company incorporated in 2019.
(j) On December 17, 2019, CNOC ceased to be consolidated in the Company's balance sheet due to the loss of control over this investment, as described in Note 1 (e).

(iii) Transactions with and interests of non-controlling interests

In purchases of non-controlling interests, the difference between any consideration paid and the share acquired of the carrying amount of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Company ceases to have control, any retained interest in the entity is remeasured to its fair value and the change in the carrying amount is recognized in the statement of operations. The fair value is the initial carrying amount for subsequent recognition of the interest retained in an associate, joint venture or financial asset.

In addition, any amounts previously recognized in other comprehensive income related to that entity are recorded as if the Company had sold directly the related assets or liabilities. As a result, the amounts previously recognized in other comprehensive income are reclassified to statement of operations.

(iv) Associates and joint ventures

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements are all entities over which the Company shares control with one or more parties. Investments in joint arrangements are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor.

Joint operations are accounted for in the financial statements so as to represent the contractual rights and obligations of the Company. Accordingly, the assets, liabilities, income and expenses related to their interests in joint operations are accounted for on an individual basis in the Company's financial statements.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost.

The Company's share of the profit or loss of its associates and joint ventures is recognized in the statement of operations and its share of changes in reserves is recognized in reserves. When the Company's share of losses in an associate or joint venture equals or exceeds the carrying amount of the investment, including any other receivables, the Company does not recognize additional losses, unless it has assumed obligations legal or constructive obligations to make payments on behalf of the associate or jointly-controlled entity.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates and joint ventures have been changed where necessary in order to ensure consistency with the policies adopted by the Company.

If the shareholding in the associate is reduced, but significant influence is maintained, only a proportional part of the amounts previously recognized in other comprehensive income will be reclassified to the statement of operations, where appropriate.

Dilution gains and losses arising from investments in associates are recognized in the statement of operations.

(v) Capital restructuring involving jointly-controlled entities

For situations of capital restructuring in which the final controlling stockholder remains the same before and after the transaction, management elected to adopt the previous cost accounting practice as it understands that it better represents the transaction that was carried out and provides more relevant information.

The previous cost accounting practice specifies that when an equity investment between jointly-controlled entities is recorded, the entity that receives the equity investments will initially recognize the transferred assets and liabilities at their carrying amounts in the accounts of the entity that makes the transfer on the transfer date.

2.3 Financial Reporting in Hyperinflationary Economies

The Brazilian accounting standard (CPC 42/IAS 29) – "Financial Reporting in Hyperinflationary Economies" requires the preparation of financial information adjusted by inflation indexes in economies that are considered hyperinflationary, a procedure that has been adopted for the assets, liabilities, equity and profit or loss of the Company entities in Venezuela and Argentina.

The financial information in Venezuela has been adjusted until June 30, 2019 in line with the National Consumer Price Index ("INPC"), the official adjustment index for this information that was published by the Central Bank of Venezuela ("BCV") on May 28, 2019. The period related to May and June 2019 was adjusted in line with the calculation guidelines provided by BCV. Since July 1, 2019, the financial information in Venezuela has no longer been subject to the adjustment for hyperinflation in view of the discontinuity of the operation in that country, as mentioned in Note 1 (c).

In Argentina, the financial information was adjusted in line with the Consumer Price Index (IPC), the official adjustment index for this information that is published by the National Institute of Statistics and Censuses of Argentina (INDEC).

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the entities included in consolidation are measured using the currency of the primary economic environment in which the respective entity operates ('the functional currency'). The consolidated financial statements were prepared in Brazilian reais (R$), which is the OEC's functional and presentation currency, and are presented in thousands of reais and U.S. dollars.

(b) Transactions and Balances

Except for the operations in Venezuela and Argentina, which is a hyperinflationary environment, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation, when items are remeasured. The operations in Venezuela and Argentina are monetarily adjusted and translated at period-end foreign exchange rates.

In thousands of reais and U.S. dollars, unless otherwise stated

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end foreign exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

The foreign exchange rates used for translating the transactions and balances in other currencies of the main branches and subsidiaries of the Company were official currency, as follows:

Country	Currency	December 31, 2019	December 31, 2018
Angola	American Dollar	4.0307	3.8748
Argentina	Argentinian Peso	0.0673	0.1029
Colombia	Colombian Peso	0.0012	0.0012
Cuba	Cuban Peso	4.0307	3.8748
USA	American Dollar	4.0307	3.8748
Mexico	Mexican Peso	0.2134	0.1972
Panama	Balboa	4.0307	3.8748
Peru	New Sol	1.2160	1.1482
Portugal	Euro	4.5305	4.4390
Dominican Republic	Dominican Pesos	0.0763	0.0769
Venezuela	Sovereign Bolivars	0.0001	0.0061

Foreign exchange gains and losses are presented in the statement of operations as finance income and costs.

In view of the situation of the Company's subsidiaries in Venezuela, as mentioned in Note 1 (d), management is considering the possibility of changing the functional currency to Brazilian reais, in accordance with the definitions of functional currency described in IAS 21 / CPC 02 (R2). In accordance with this CPC, this is possible when there is a change in transactions, events and underlying conditions of the Company with respect to its previously defined functional currency.

(c) Translation of balances of consolidated companies

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rate at the balance sheet date;

(ii) The opening equity for one year corresponds to the closing equity for the previous year as translated at the time. The changes in the opening equity for the year are translated at the rates in effect on the dates these changes occur;

(iii) Income and expenses for each statement of operations are translated at the average foreign exchange rates for the respective years; and

(iv) All resulting foreign exchange differences are recognized as a separate component of equity.

When a foreign operation is partially disposed of or sold, the related foreign exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

2.5 New accounting pronouncements in effect

(a.i) IFRS 16 / CPC 06 (R2) – Leases

IFRS 16 / CPC 06 (R2) establishes the principles for recognizing, measuring, presenting and disclosing lease operations and requires that lessees account for all leases in accordance with a single model, which is similar to the accounting for finance leases under IFRS 16 / CPC 06 (R1).

The Company used in its transition the modified retrospective approach, that is, it applied the requirements of the lease standard consistently to all of its contracts existing on the date of the initial adoption on January 1, 2019. Therefore, information and balances are not being restated for comparison purposes.

After the date of the initial adoption on January 1, 2019, leases started to be recognized as a right-of-use asset and a corresponding liability is recognized on the date when the leased asset becomes available to the Company. Each payment is allocated to lease liabilities and finance cost. The finance cost of the lease liability is recorded in profit or loss during the executable term of the contract using a constant interest rate on the remaining balance of the liability. The right-of-use asset is depreciated using the straight-line method, taking into consideration the useful life of the asset or the executable term of the contract, whichever is the shortest.

When determining the executable term of the lease, management takes into consideration all facts and circumstances that create an economic incentive to exercise the option to extend or to not exercise the option for early termination.

Upon the adoption of IFRS 16 / CPC 06 (R2), the Company recognized the lease liabilities with respect to the contracts that had been previously recognized as “operating lease” in accordance with IAS 17 / CPC 06 (R1). Until the financial statements for 2018, the payments of these leases, net of any incentives received from the lessor, were recognized in profit or loss for the period of the contract.

On the date of the adoption, the assets and liabilities arising from the lease contracts were measured at their present value, taking into consideration the payments remaining from each contract, net of the supplemental rate on January 1, 2019. The weighted average of the supplemental rate applied at the initial adoption was 19.50% a year. The lease liability takes into consideration the net present value of the following lease payments:

• Fixed payments, net of any incentive received;

• Variable payments based on rates or indexes;

• Amounts expected to be paid by the lessee related to the guaranteed residual value;

• Exercise price of a call option if it is reasonably certain that the lessee will exercise such option; and

• Payments of fines due to the termination of the lease if the contractual terms reflect the exercise option of the lessee.

The right-of-use assets were measured at the same amount as the amount of the lease liability, adjusted by any amount of advance payments and provision for lease payments related to the contract recognized on January 1, 2019. There were no onerous lease contracts that required an adjustment of the right-of-use asset on the date of the initial adoption.

Upon the first-time adoption, the Company used the following practical expedients permitted by IFRS 16 / CPC 06 (R2):

• It did not reassess whether the contract is a lease contract or contains a lease on the date of the initial adoption. Instead, it applied the standard to contracts that had been previously identified as a lease;

• It chose not to separate non-lease components from lease components, thus considering them as a single lease component;

• It did not record the contracts that, on the date of the initial adoption, would terminate within 12 months;

• It did not record low-value contracts (R$ 80 for companies in Brazil or US$ 20 for foreign subsidiaries), in accordance with the policy defined by management;

• It excluded initial direct costs from the measurement of the right-of-use asset on the date of the initial adoption;

• It used the late perception, such as when determining the term of the lease, and whether the contract contains options to extend or terminate the lease, among others; and

• It applied a single discount rate to the lease portfolio, taking into consideration the weighted cost of the current debts.

The Company has a low volume of lease contracts and the amounts of which, after the adoption of IFRS 16 / CPC 06 (R2), are recognized (Note 22) in Leases, related to future payments; and (Note 17) in Right of use, related to the right-of-use assets, net of depreciation.

(b) IFRIC 23 – Uncertainty over income tax treatments (ICPC 22 – Uncertainty over income tax treatments)

The new interpretation establishes requirements for the recognition and measurement in cases in which the Company has determined, during the process of determination of income taxes (income tax and social contribution), the use of tax treatments that may be considered uncertain and, for this reason, may be challenged by the tax authority.

The company has concluded the assessment of this rule and has not identified impacts to be reflected in its financial statements.

2.6 Restatement

The amounts corresponding to the Balance Sheet and consolidated Statement of Operations for the year ended December 31, 2018 presented in these consolidated financial statements for comparison purposes are being restated in compliance with IAS 8 / CPC 23 – Accounting policies, changes in accounting estimates and errors, in order to reflect:

- Financial expenses identified in 2019 in the direct subsidiaries OECI and CNO related to interest and fines on a liability with Concessionária Rota das Bandeiras S.A. due to the rescission of the contract of engineering, supply and construction of expansion and improvement works of the Dom Pedro I Highway Section that took place in December 2015. The above mentioned adjustment, amounting to R$ 21,804, was made to the “Other liabilities” account in current liabilities as a contra-entry to the opening balance of the statement of changes in equity for 2018, amounting to R$ 3,483, and in the “Finance result, net” account, in the amount of R$ 16,793, and “General and administrative, and selling expenses” account, amounting to R$ 1,527 in the statement of operations (operations) for the year ended December 31, 2018.

- The reversal of contingent liabilities in years prior to 2018, identified in 2019 in the indirect subsidiary CNO Dominican Republic Branch, related to the leniency agreement entered into in that country by ODB, the Company's controlling stockholder, on April 19, 2017. In June 2019, the liability related to the agreement was recorded by ODB and was taken into consideration in its petition for judicial recovery. The above mentioned reversal of the "Provisions for tax, labor, civil and other contingencies" account in current liabilities (R$ 123,603) and non-current liabilities (R$ 320,494) was made as a contra-entry to the opening balance of the statement of changes in equity for 2018 in the amounts of R$ 411,211 and R$ 32,886 in the statement of operations for the year ended December 31, 2018 in the "Finance result, net" account.

- Adjustments from equity in the results of investees in years prior to 2018, identified in 2019 in the indirect subsidiary OOL, related to the investment held until May 2019 in the associate Rio Trens Corporation ("RTC"). The above mentioned adjustment, amounting to R$ 55,478, was made in the "Investment, associates" account in permanent assets as a contra-entry to the opening balance of the statement of changes in equity for 2018.

- Reclassification from the "Advances from customers" account to the "Debts" account in current liabilities for the purpose of comparing the Advance on Foreign Exchange Contract ("ACC"), transaction in the amount of R$ 195,966.

- Negative adjustment from equity in the results of the associate Biocom in the amount of R$ 102,595 in 2018. The above mentioned adjustment was made in the rubric "Other liabilities" account in non-current liabilities as a contra-entry of rubric to the opening balance of the statement of changes in equity for 2018.

- Non-offset of assets and liabilities, for the purpose of presentation, of the balances of the Odebrecht Group companies. The amount of R$ 2,775,813 in the Odebrecht Group companies account was reclassified from non-current assets to non-current liabilities.

- Reversal of the provision of the indirect subsidiary OOL related to the transaction costs of financial operations settled prior to 2019 in the amount of R$ 57,374. The above mentioned reversal was made from the "Other liabilities" account in non-current liabilities as a contra-entry to the "Finance result, net" account in the statement of operations for the year ended December 31, 2018.

- Reversal of the provision for net capital deficiency related to the investments in the associates Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L, Arena Pernambuco Negócios e Investimentos S.A., Construtora Xingó Ltda., Umon – Engenharia de Montagem Ltda. and Unicon – União de Construtoras Ltda., which present a net capital deficiency. In accordance with IAS 28 / CPC 18 (R2), when the investor's interest in the losses for the period of the associate or joint-controlled venture is equal to or higher than the accounting balance of its interest in the investee, the investor must discontinue the recognition of its interest in future losses. The above mentioned reversal was made from the "Provision for net capital deficiency" account in non-current liabilities, amounting to R$ 73,424 and from the "Other assets" account, amounting to R$ 1,922, as a contra-entry to the opening balance of the statement of changes in equity for 2018, amounting to R$ 61,498 and to the "equity in the results of investees" account in the statement of operations for the year ended December 31, 2018, amounting to R$ 13,848.

- Recording of an asset for the purpose of adjusting the incremental expenditures related to OFL's debt restructuring costs in the amount of R$ 12,380. The recording was classified as transaction costs and will be maintained in a suspense account of assets in the "Other assets" account in current assets while the negotiation of the debt is not completed. The contra-entry to this recording was in the "General and administrative and selling expenses" account in the statement of operations for the year ended December 31, 2018.

- Reclassification, for comparison purposes, of the presentation of profit or loss for 2018 of the Company's indirect branches and subsidiaries in Venezuela as discontinued operations, as presented in the reconciliation of loss for the year ended December 31, 2018 (Note 2.6 (b)).

In thousands of reais and U.S. dollars, unless otherwise stated

(a) Reconciliation of balance sheet for the year ended December 31, 2018

	December 31, 2018	Restatement effects Adjustments	December 31, 2018 (Restated)
Assets			
Current Assets			
Cash and Cash Equivalents	1,804,376		1,804,376
Financial Instruments	987		987
Trade Accounts Receivable	5,399,849		5,399,849
Advances to Suppliers, Subcontractors and Others	732,858		732,858
Taxes Recoverable	461,681		461,681
Inventories	423,023		423,023
Current Accounts with Consortium Members	325,766		325,766
Prepaid Expenses	180,807		180,807
Other Assets	908,079	12,380	920,459
	10,237,426	12,380	10,249,806
Non-current assets held for sale and discontinued operation	515,927		515,927
Non-Current Assets			
Long-term Receivables			
Odebrecht Group Companies	9,042,928	2,775,813	11,818,741
Trade Accounts Receivable	3,522,128		3,522,128
Deferred Income Tax and Social Contribution	577,222		577,222
Taxes Recoverable	29,130		29,130
Other Assets	530,073	1,922	531,995
	13,701,481	2,777,735	16,479,216
Investments			
Associated Companies	695,073	(55,478)	639,595
Property and Equipment	907,435		907,435
Intangible Assets	182,169		182,169
Right of use			
Others	1,853		1,853
	16,003,938	2,722,257	18,726,195
Total Assets	26,241,364	2,734,637	28,976,001

	December 31, 2018	Restatement effects Adjustments	December 31, 2018 (Restated)
Liabilities and Equity			
Current liabilities			
Debts	407,917	195,966	603,883
Suppliers and Subcontractors	4,219,999		4,219,999
Taxes, Rates, Salaries and Payroll Charges	1,704,265		1,704,265
Provisions for Tax, Labor, Civil and Others Contingencies	745,112	(123,603)	621,509
Advances from Customers	2,351,982	(195,966)	2,156,016
Current Accounts with Consortium Members	327,757		327,757
Leases			
Other Liabilities	677,690		677,690
	10,434,722	(123,603)	10,311,119
Non-Current Liabilities			
Odebrecht Group Companies	778,681	2,775,813	3,554,494
Debts	69,588		69,588
Advances from Customers	6,531,061		6,531,061
Deferred Income Tax and Social Contribution	455,828		455,828
Suppliers and Subcontractors	12,278		12,278
Taxes, Rates, Salaries and Payroll Charges	3,782		3,782
Provisions for Tax, Labor, Civil and Others Contingencies	3,471,064	(320,494)	3,150,570
Advance for future capital increase	961,408		961,408
Provision for net capital deficiency	151,838	29,172	181,010
Other Liabilities	700,951	(35,570)	665,381
	13,136,479	2,448,921	15,585,400
Equity			
Capital	8,625,625		8,625,625
Carrying Value Adjustments	1,065,145	41,189	1,106,334
Accumulated Deficit	(7,179,805)	354,867	(6,824,938)
	2,510,965	396,056	2,907,021
Non-Controlling Interest	159,198	13,263	172,461
	2,670,163	409,319	3,079,482
Total Liabilities and Equity	26,241,364	2,734,637	28,976,001

In thousands of reais and U.S. dollars, unless otherwise stated

(b) Reconciliation of loss for the year ended December 31, 2018

		Restatement effects		
	2018	Descontinuated Operations Venezuela	Other Adjustments	2018 (Restated)
Continuing operations				
Net services and sales revenues	7,259,451	(152,161)		7,107,290
Cost of services rendered	(6,031,874)	172,770		(5,859,104)
Gross profit	1,227,577	20,609		1,248,186
Operating expenses				
General and administrative and selling expenses	(1,311,510)	50,329	10,853	(1,250,328)
Other income (expenses), net	(344,848)	305		(344,543)
Operating loss	(428,781)	71,243	10,853	(346,685)
Results from investments				
Results from equity investments	(307,969)		(88,749)	(396,718)
Financial result				
Financial result, net	(794,923)	(472,021)	73,466	(1,193,478)
Loss before social contribution and income tax	(1,531,673)	(400,778)	(4,430)	(1,936,881)
Current income tax and social contribution	(1,195,460)	382,567		(812,893)
Deferred income tax and social contribution	(204,897)	105,263		(99,634)
Loss of continuing operations for the year	(2,932,030)	87,052	(4,430)	(2,849,408)
Discontinued operations				
Loss of discontinued operations for the year		(87,052)		(87,052)
Loss for the year	(2,932,030)		(4,430)	(2,936,460)
Attributable to:				
Company's Stockholders	(2,802,809)		(2,424)	(2,805,233)
Non-controlling interest	(129,221)		(2,006)	(131,227)
	(2,932,030)		(4,430)	(2,936,460)

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and immaterial risk of change in value. These balances are maintained for the purpose of meeting short-term cash commitments and not for investment or any other purposes. Bank overdrafts are shown within “Debts” in current liabilities in the balance sheet.

2.8 Trade accounts receivable

The balances of trade accounts receivable are presented in accordance with the realizable values. They are also included in the unbilled amount balances through the balance sheet date as a result of the construction contracts whose amounts are determined based on the physical progression of projects.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Usually, in practice, they are recognized at the amount billed, adjusted by the provision for impairment, when necessary. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Additionally, the Company also assesses the expectation of realization of credits, as described in Note 8 (i).

2.9 Inventories

Inventories of parts and materials to be used in construction works are stated at average purchase cost, which is lower than replacement costs or realizable values.

Imports in transit are stated at the cost accumulated in each import.

2.10 Current accounts with consortium members

The Company, together with other companies, participates in consortiums for the provision of services related to its corporate purpose. The balances of the current accounts with consortium members represent the imbalance of contributions made to the consortiums. On December 31, 2019 and 2018, the balances of assets and liabilities are presented at the net realizable value.

2.11 Group companies

The main balances maintained with the Group companies are governed by a Loan Agreement entered into between the Company and its subsidiaries and companies of the Odebrecht Group. The nature of the operations is of loans of financial resources and they may be subject to charges.

2.12 Judicial deposits

Judicial deposits are monetarily adjusted and presented as a deduction from the corresponding liability when they cannot be redeemed, unless there is a favorable outcome for the Company and its subsidiaries in the related dispute.

2.13 Other assets

Other assets are presented at realizable value, including, when applicable, accrued earnings and monetary adjustments or, in the case of prepaid expenses, at cost.

2.14 Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale when (i) their carrying amount is recoverable in the case of a sale; and (ii) when such sale is highly probable and the asset or group of assets is available for an immediate sale. These assets are stated at the lowest of the carrying amount and fair value, less costs to sell.

Property and equipment items and intangible assets are no longer depreciated and/or amortized and the equity investments in associates, subsidiaries or joint-controlled subsidiaries classified as held for sale are no longer measured using the equity method of accounting.

A discontinued operation is a component of the entity that has been written off or is classified as held for sale and (i) represents an important separate line of business or geographical area of operations; (ii) is an integral part of a single coordinated plan for the sale of an important separate line of business or geographical area of operations; and (iii) is a subsidiary that is exclusively acquired for the purpose of resale.

The discontinued operations were duly excluded from profit or loss from continuing operations and they are presented as a single amount in profit or loss after taxes from discontinued operations in the statement of operations.

2.15 Financial instruments

Financial assets and liabilities are recognized when the Company is part of contractual provisions of the instrument and they are initially recognized at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities are added to or deducted from the fair value of financial assets or liabilities, if applicable, after initial recognition, except for financial assets and liabilities that are recognized in profit or loss for the year.

(i) Financial assets

Assets are classified upon initial recognition in the following categories:

(i) Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified as held for trading if:

(a) It is acquired mainly for sale in the short term; or

(b) Upon initial recognition, it is part of a portfolio of identified financial instruments that the Company jointly manages and has an actual recent pattern of obtainment of profit in the short term; or
(c) It is a derivative that has not been designated as an effective hedge instrument.

Financial assets at fair value through profit or loss are stated at fair value and any resulting gains or losses are recognized in profit or loss. They are represented mainly by cash and cash equivalents and financial investments.

(ii) Amortized cost: they are represented mainly by financial assets receivable with fixed or determinable payments that are not quoted in an active market and they are classified as "Amortized cost". Amortized cost is measured initially at fair value plus any directly attributable transaction costs. After their initial recognition, they are measured at amortized cost using the effective interest method.

(ii) Derecognition (write-off) of financial assets

A financial asset (or, as the case may be, a part of a financial asset or part of a group of similar financial assets) is written off when: (a) the rights to receive cash flows from the asset expire; (b) the right to receive cash flows from the asset is transferred or an obligation to fully pay the cash flows received, with no significant delay, to a third party due to an "onlending" agreement is assumed; and (i) all risks and rewards of the asset are substantially transferred; or (ii) all risks and rewards related to the asset are not substantially transferred or retained, but the control over the asset is transferred.

When the Company has transferred its rights to receive cash flows from an asset or has executed an onlending agreement and has not substantially transferred or retained all risks and rewards related to the asset, an asset is recognized to the extent of the continuous involvement of the Company with the asset. In this case, the Company also recognizes a related liability. The transferred asset and the related liability are measured based on the rights and obligations that the Company maintained.

The continuous involvement in the form of a guarantee for the transferred asset is measured at the initial carrying amount of the asset or at the maximum consideration that can be required from the Company, whichever is the lowest.

(iii) Analysis of impairment

IFRS 9 / CPC 48 replaces the “incurred loss” model in IAS 39 / CPC 38 by a prospective “expected loss” model. This new loss model applies to financial assets measured at amortized cost, except for investments in equity instruments and contractual assets.

The Company recorded credit losses in its accounts receivable, as presented in Note 8.

(iv) Financial liabilities

These are classified as “Financial liabilities at fair value through profit or loss” or “Amortized cost”.

(i) Financial liabilities at fair value through profit or loss: are those held for trading or designated at fair value through profit or loss. Changes in fair value are recognized in profit or loss for the year.

(ii) Amortized cost: including debts, they are initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest method and the finance costs are recognized based on the effective remuneration.

The effective interest method is used to calculate the amortized cost of a financial liability and allocate its interest expense for the applicable period. The effective interest rate is the rate that exactly discounts the future cash flows estimated over the useful life of the financial liability.

(v) Presentation of financial assets and liabilities, net

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

2.16 Derivative financial instruments and hedging activities

Initially, derivatives are recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value, with the main sources of information being stock exchanges, futures markets, publications by the Central Bank of Brazil and pricing services such as Bloomberg and Reuters. It should be noted that the high volatility of foreign exchange markets and interest rates in Brazil caused significant changes, in certain periods, in futures rates and interest rates in very short periods of time, generating significant changes in the fair value of swaps and other financial instruments. The fair values recognized in the financial statements may not necessarily represent the amount of cash that the Company would receive or pay upon the settlement of transactions. Although the Company and its subsidiaries use derivatives only for hedging purposes, they do not apply hedge accounting.

Changes in the fair value of any of these derivative instruments are recognized immediately in the statement of operations in “Finance result, net”. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 4.3.

2.17 Intangible assets

(a) Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

2.18 Property and equipment

Property and equipment mainly comprises machinery and equipment used in civil construction contracts.

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items and it also includes the financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will be obtained and the cost of the item can be reliably measured. The carrying amount of replaced items or parts is derecognized. All other repair and maintenance costs are charged to the statement of operations during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as presented in Note 16.

The assets' residual values and useful lives and the depreciation methods are reviewed at the end of each year, and adjusted, on a prospective basis when applicable. In the year ended December 31, 2019, the Company reviewed the useful lives of property and equipment and this review did not have any impacts on the consolidated financial statements. An asset's carrying amount is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income (expenses), net" in the statement of operations.

2.19 Debts

Debts are recognized initially at fair value, net of transaction costs incurred. Debts are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of operations over the period of the debts using the effective interest method.

Debts are classified as current liabilities unless the Company has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date. In this case, they are presented as non-current liabilities.

The financing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which is an asset that necessarily demands a significant period of time to become ready for the intended use or sale, are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits and that these costs can be reliably measured. Other financing costs are recognized as expenses for the period in which they are incurred.

2.20 Provisions

Provision for guarantee

The Company and its subsidiaries CNO and OECI are guarantors of the OFL Bonds. Due to the early maturity of the OFL Bonds, the Company, as controlling stockholder, recognized a provision for guarantee in 2019, as described in Note 1 (b).

Provision for tax, civil and labor risks

Provisions for legal claims (labor, civil and tax) are recognized when the Company and its subsidiaries have a present legal obligation, the amount can be reliably estimated and there is a probable outflow of resources to settle the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of settlement related to any one item included in the same class of obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Current and deferred income tax and social contribution

The tax expenses for the year, which include income tax due by the Company's foreign branches/subsidiaries, and in the case of Brazil, social contribution, comprise current and deferred taxes. Taxes on profit are recognized in the statement of operations, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In this case, the taxes are recognized in comprehensive income or directly in equity.

The current income tax and social contribution are calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income.

Deferred income tax and social contribution are recognized on income tax and social contribution loss carryforwards, the latter related to Brazil, and on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax and social contribution are determined using tax rates that have been enacted in the respective countries at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized, based on projections of future results prepared and based on internal assumptions and future economic scenarios that may, therefore, change.

2.22 Employee benefits

(a) Pension obligations

The Company and its subsidiaries have entered into an agreement with Vexty (previously called ODEPREV - Odebrecht Previdência), a private closed-end pension fund established by the parent company ODB, which is one of its sponsoring companies.

Vexty offers its participants a defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts.

In relation to the benefit payments due under the plan, Vexty's obligations are limited to the total value of the participants' quotas and, in conformity with the rules of the defined contribution plan, the sponsoring entities have no obligations or responsibilities to guarantee minimum levels of benefits to the retired participants. The contributions of the Company and its subsidiaries in the years ended December 31, 2019 and 2018 were R$ 16,534 – US$ 4,102 and R$ 34,541, respectively.

These benefits are considered a defined contribution plan where the risk of receiving benefits is the full responsibility of the participants in accordance with IAS 19 / CPC 33 - Employee Benefits.

2.23 Capital

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.6 Basis of Translation

The accounting records are maintained in Brazilian reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the December 31, 2019 local currency financial statements, using the exchange rate prevailing on that date of R$ 4.0307 to US$ 1.00. This translation should not be construed as representing that the amounts in Brazilian reais represent, or have been, or could be, converted into U.S. dollars.

3 Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

Based on assumptions, the Company and its subsidiaries make estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts are described below.

(a) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The Company and its subsidiaries use their judgment to select the evaluation method and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(b) Leases – Estimate of the incremental rate on debts

The Company is not able to promptly determine the interest rate implied in leases and, therefore, it considers its incremental rate on debt to measure lease liabilities. The incremental rate is the interest rate that the Company would have to pay when borrowing, for a similar period and with a similar guarantee, the funds necessary to obtain an asset with a similar value as that of the right-of-use asset in a similar economic environment. Accordingly, this assessment requires that management considers estimates when observable rates are not available or when they need to be adjusted to reflect the terms and conditions of a lease. The Company estimates the incremental rate using available observable data and takes into consideration in that estimate aspects that are specific to the Company (such as credit rating).

(c) Provisions for tax, social security, labor and civil contingencies

Provisions are recognized for all contingencies related to the legal proceedings that represent probable losses and that can be reliably estimated.

The analysis of the probability of loss includes the evidence available, the hierarchy of laws, case law, most recent decision in courts and their relevance in the legal system, as well as the opinion of the external legal advisors.

(d) Revenue recognition

The Company and its subsidiaries use the percentage-of-completion method to account for construction contracts.

The use of the percentage-of-completion method requires the Company and its subsidiaries to estimate the services performed to the balance sheet date as a proportion between the costs incurred in the services provided to that date, and the total costs estimated for each contract.

(e) Joint arrangements

The Company and its subsidiaries have joint control in certain contractual arrangements, which require a consensus among the parties to the arrangement in decisions that imply control. The evaluation of these arrangements to determine the existence of joint control involves subjectivity and judgment.

Contractual agreements that give the Company, or its subsidiaries and other parties to the arrangement, rights to net assets of the respective special purpose entities are recorded using the equity method.

Contractual agreements that represent rights to assets and obligations for the liabilities are treated as joint operations. Such assets and liabilities, as well as revenues and expenses relative to their interests, are directly recognized in the financial statements of the Company and its subsidiaries.

(f) Cash flows

The repayments to Group entities (related parties) are classified as financing activities in order to adjust the financial statements to the reality of the Company’s operations.

4 Financial Risk Management

4.1 Financial Risk Factors

The Company and its subsidiaries are exposed to market risks arising from variations in foreign exchange rates, interest rates and prices, and to credit risk arising from the possibility of default by their counterparties in financial investments, trade accounts receivable and derivatives.

The purpose of risk management is to protect the cash flows of the Company and its subsidiaries and reduce the threats to the financing of their operating working capital and investment programs. The Company does not use hedge accounting for these risks.

(a) Foreign Exchange Risk

The Company and its subsidiaries operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar.

Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

The Company, through its branches, subsidiaries and associates, has a significant volume of operations abroad and part of which is denominated in U.S. dollars, with little exposure to local currencies, restricted to certain specific countries.

In addition, certain debts of the Company and its subsidiaries contracted overseas, as well as liabilities to suppliers and other balances with related parties, are denominated in foreign currencies.

The Company and its subsidiaries manage their exposure to foreign exchange rates through a mix of cash flows in foreign currencies, foreign currency denominated debt, investments in foreign currencies and derivatives.

The policy of the Company and its subsidiaries to manage foreign exchange risks provides for maximum and minimum limits that must be followed and which are constantly monitored by management.

(b) Interest Rate Risk

As the Company and its subsidiaries have no significant interest-earning assets, their operating result and cash flows are substantially independent of changes in market interest rates.

The Company and its subsidiaries are exposed to the risk that a variation in floating interest rates causes an increase in their finance costs from payments of future interest.

Foreign currency denominated debt bearing floating rates is mainly subject to changes in the Libor rate. Local currency denominated debt is mainly subject to the variation in the Long-Term Interest Rate (TJLP), fixed rates in Brazilian reais and the daily Interbank Deposit Certificate (“CDI”) rate.

The Company and its subsidiaries analyze their interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Company and its subsidiaries determine a reasonable expectation of changes in interest rates and calculate the impact on profit or loss. The scenarios are run only for the liabilities that represent the major interest-bearing positions.

(c) Price Index Risk

A considerable number of the contracts to which the Company and its subsidiaries are a party are fixed-price contracts. The actual profit margins of these contracts may vary in relation to the estimated margins used when budgeting costs in a contract price proposal as a result of significant unexpected variations in the cost of equipment, materials to be used or labor related to inflationary or other effects, difficulties faced by the counterparty in obtaining the loans necessary for performing the contract or government licenses or approvals, changes in the project that result in unexpected costs, delays caused by adverse climate conditions or errors in performance by subcontractors and/or suppliers.

In order to minimize price index risks, the budgets of the fixed price contracts performed by the Company and its subsidiaries are periodically reviewed with the inclusion, in the revised budgets, of the matches or inconsistencies verified in relation to the amounts that were effectively realized. The policy of the Company and its subsidiaries is to discuss the collection of claims with respect to the contract price, resulting in future contract amendments, which increase the price, as a result of the variations verified. The amendments are recorded upon their signature.

(d) Credit Risk

Credit risk arises mainly from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and commitments.

The Company and its subsidiaries seek to maintain a sufficient volume of cash and cash equivalents to meet: (i) working capital requirements; (ii) investments budgeted in the business plans; and (iii) adverse conditions that may require increased working capital investments.

These funds are allocated so as to: (i) obtain a return that is compatible with the maximum volatility determined by the risk and investment policies; (ii) seek a highly diversified consolidated portfolio; (iii) avoid the credit risk arising from the concentration in few securities; and (iv) follow the variation in the market interest rates, in Brazil or abroad.

The sales strategy of the Company and its subsidiaries takes into consideration the level of credit risk which each company is willing to accept in the course of its business, in accordance with the general guidelines of the Group.

The diversification of receivables, the selectivity in accepting customers, as well as the monitoring of the financing terms for sales by business segment and individual position limits are procedures adopted in order to minimize possible default problems in accounts receivable.

As a way of mitigating the risk of default, the Company and its subsidiaries are protected, in the provision of engineering and construction services, by regular prepayments from customers.

In order to reduce the volume of overdue receivables, the Company and its subsidiaries have adopted a policy of decentralizing the administrative collection negotiations with customers, delegating this responsibility to the administrative levels responsible for monitoring each contract. If these administrative actions are not successful, the collection of the amounts will occur through court actions.

In addition, the Company and its subsidiaries have applied a greater degree of selectivity when accepting customers and have increased the sales revenue from private customers or public sector customers, which the Company and its subsidiaries consider have the capacity to generate revenue independently and which do not rely on a government budget to pay for their liabilities (mainly companies with both government and private stockholders), as well as those with contracts where payments are financed by export agencies, multilateral agencies, commercial banks, private pension funds and private investors.

As part of their policy to mitigate performance risks in developing countries, the Company and its subsidiaries require advances from customers before starting a project (down payment). These advances are deducted from each invoice through the end of the contract.

With respect to financial and other investments, the policy of the Company and its subsidiaries is to work with first-class financial institutions and avoid concentration of investments in a single economic group, weighting concentrations in accordance with the ratings and the daily prices observed in the Credit Default Swap market for the institutions.

(e) Liquidity Risk

This is the risk that the Company and its subsidiaries do not have sufficient liquid funds to meet their financial commitments, due to the mismatch of terms or volumes of estimated receipts and payments.

In thousands of reais and U.S. dollars, unless otherwise stated

To manage the liquidity of cash in local and foreign currency, assumptions related to future disbursements and receipts are determined and monitored daily by the companies' treasury departments.

4.2 Capital Management

The Company presents below the capital-based financial gearing ratio. This ratio corresponds to net debt expressed as a percentage of total capital. Net debt is calculated as total debts (including current and non-current debts as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

			December 31, 2019	December 31, 2018
	Note	US$		R$
				(Restated)
Total debts	18	751,562	3,029,318	673,471
Less: cash and cash equivalents	6	(119,688)	(482,425)	(1,804,376)
Net debt (i)		631,874	2,546,893	(1,130,905)
Total equity (net capital deficiency)		(2,764,078)	(11,141,169)	3,079,482
Total capital		(2,132,204)	(8,594,276)	1,948,577
Index of financial gearing - %		N/A	N/A	N/A

(i) The Company's net debt includes the provision for guarantee for the Bonds (Note 1 (b).

N/A – Not applicable – As shown in the table above, the Company has a negative net debt (excess of cash and cash equivalents over total debts).

4.3 Derivative Financial Instruments

The Company and its subsidiaries use derivative financial instruments solely for economic hedging purposes.

The Financial Policy of the Company and its subsidiaries provides for a continuous short-term hedging program for foreign exchange rate risk arising from their operations and financial items.

The other market risks are addressed on a case-by-case basis for each operation.

In general, the Company and its subsidiaries assess the need for hedging in the analysis of prospective transactions and try to tailor it to the operations being considered in addition to maintaining it for the full term of the hedged operation.

At December 31, 2018, the Company and its subsidiaries had derivative contracts amounting to R$ 50,853. In 2019, these contracts were settled.

(i) Changing the Return on Other Instruments

The Company and its subsidiaries use derivatives to change the return on investments or the interest rate or adjustment index on financial liabilities, according to their judgment as to the most appropriate conditions for the Company and its subsidiaries. When the Company and its subsidiaries use derivatives to change the returns on investments, they seek to match the derivative obligations with the rights represented by the investments. When they use derivatives to change the interest rate or adjustment index on liabilities, they seek to match the derivative rights with the obligations.

In thousands of reais and U.S. dollars, unless otherwise stated

These operations to change the return on investments or the interest rate or adjustment index on financial commitments are carried out for an amount that does not exceed that of the underlying investment or liability.

The Company and its subsidiaries do not use derivative financial instruments for speculative purposes. At December 30, 2019 and December 31, 2018, the Company and its subsidiaries had no derivative financial instruments for speculative purposes.

(ii) Other Information on Derivative Financial Instruments

All derivative financial instruments held at December 31, 2019 and December 31, 2018 were contracted at an over-the-counter market with large financial counterparties under global derivative contracts in Brazil or abroad.

The derivative financial instruments are presented in the balance sheet at their fair values in assets or liabilities based on whether the fair value represents a positive or negative balance to the Company and its subsidiaries, respectively. The derivative financial instruments are mandatorily classified as “held for trading”. The changes in the fair value of derivatives are recorded as finance income and costs in the same period in which they occur.

The fair value of derivatives is obtained:

(a) from public sources when the derivative is traded on stock exchanges;

(b) through discounted cash flow models when the derivative is a forward purchase or sale or a swap contract; and

(c) through valuation models of options contracts, such as the Black-Scholes model, when the derivative has the characteristics of an option.

The valuation assumptions (input to models) are obtained from sources that reflect the most recent observable market prices, particularly the yield curves and future currency quotes disclosed by the Commodities & Futures Exchange, the spot exchange rate disclosed by the Central Bank of Brazil and the foreign yield curves disclosed by well-known pricing services such as Bloomberg or Reuters.

The Company adjusted the fair value measurement of its contracted derivatives to its own credit risk (in the case of derivatives that present amounts payable) or to the credit risk of the counterparty of the operation (in the case of derivatives that present amounts receivable), in accordance with the provision in IFRS 9 / CPC 48.

At December 31, 2019 and December 31, 2018, the Company and its subsidiaries did not have derivatives that required non-observable assumptions to calculate their fair value.

The table below shows the transactions with derivative financial instruments of the Company and its subsidiaries existing at December 31, 2019. The “Changes in fair value" column shows the changes in the fair value of derivatives in year ended December 31, 2019; the “Settlements in the year 2019” column shows the effect recognized in finance income and costs associated with the settlements of derivatives in the year ended December 31, 2019. The “Total effect on the result” column represents the effects of the changes in the value of derivatives (changes in fair value and settlements) on the Company’s statement of operations.

Instrument	Notional		First Settlement Date	Last Due Date	Fair Value at December 31, 2018	Changes in Fair Value	Fair Value at December 31, 2019		Settlements in the year 2019		Total Effect on the Result	
	US$	R$				R$	US$	R$	US$	R$	US$	R$
Swaps LIBOR			Jan-16	Nov-19	(54)	54			(8)	(31)	6	23
USDBRL options			Nov-18	Dec-19	987	(987)			281	1,132	36	145
					933	(933)			273	1,101	42	168

In thousands of reais and U.S. dollars, unless otherwise stated

At December 31, 2018, the fair value of transactions with derivative financial instruments that present a difference to be paid, amounting to R$ 54, was recorded as “Other accounts payable” in current liabilities, and the transactions with derivative financial instruments that present a difference to be received, amounting to R$ 987, were recorded as “Financial instruments” in current assets.

5 Financial Instruments by Category

	Assets measured at fair value through profit or loss	Amortized cost	Total R$	Total US$
December 31, 2019				
Assets, according to the balance sheet				
Cash and banks		400.869	400.869	99.454
Financial instruments	70.700		70.700	17.540
Short-term deposits	81.556		81.556	20.234
Current accounts with consortium members		379.226	379.226	94.084
Trade accounts receivable and other assets		7.513.121	7.513.121	1.863.976
Odebrecht Group companies		2.714.397	2.714.397	673.431
	152.256	11.007.613	11.159.869	2.768.719

	Amortized cost	Total R$	Total US$
December 31, 2019			
Liabilities, according to the balance sheet			
Debts	3.029.318	3.029.318	751.562
Leases	151.996	151.996	37.709
Suppliers, subcontractors and other liabilities	5.120.791	5.120.791	1.270.447
Current accounts with consortium members	371.529	371.529	92.175
Odebrecht Group companies	3.636.945	3.636.945	902.311
	12.310.579	12.310.579	3.054.204

	Assets measured at fair value through profit or loss	Amortized cost	Total R$
December 31, 2018 (Restated)			
Assets, according to the balance sheet			
Cash and banks		737.043	737.043
Short-term deposits	1.067.333		1.067.333
Derivative financial instruments	987		987
Current accounts with consortium members		325.766	325.766
Trade accounts receivable and other assets		10.373.444	10.373.444
Odebrecht Group companies		11.818.741	11.818.741
	1.068.320	23.254.994	24.323.314

	Liabilities measured at fair value through profit or loss	Amortized cost	Total R$
December 31, 2018 (Restated)			
Liabilities, according to the balance sheet			
Debts		673.471	673.471
Derivative financial instruments	54		54
Suppliers, subcontractors and other liabilities		5.575.294	5.575.294
Current accounts with consortium members		327.757	327.757
Odebrecht Group companies		3.554.494	3.554.494
	54	10.131.016	10.131.070

In thousands of reais and U.S. dollars, unless otherwise stated

6 Cash and Cash Equivalents

	December 31, 2019		December 31, 2018
	US$		R$
High Liquidity	32,145	129,567	763,791
Cash - countries (*)	34,905	140,690	762,118
Consortia	52,638	212,168	278,467
	119,688	482,425	1,804,376

(*) This includes countries with any restrictions on use, such as: legal, foreign exchange, specific legislation.

The financial investments of the Company and its subsidiaries are highly-liquid short-term investments (original maturities for up to 90 days) that can be promptly converted into cash and they are subject to an insignificant risk of change in value. The purpose of these funds is basically to supply the Company's cash needs.

7 Financial instruments

The Development Incentive Certificates (“CIDs”) were issued by the São Paulo City Administration Office (“PMSP”) based on Law No. 15,413 of July 20, 2011, Executive Order No. 52,871 of December 22, 2011, and Resolution No. 1/2013 of April 4, 2013 of the Construction Committee of the Stadium of the 2014 Fifa World Cup, and they may be used in the payment of the Service Tax (ISS) or the Municipal Real Estate Tax (IPTU) due to PMSP by the investor or assignee.

On January 8, June 18, July 25 and December 17 of 2019, Arena Fundo de Investimento Mobiliário – FII (“Arena FII”) transferred the amount of 5,828 CDIs to CNO as a partial settlement of the accounts receivable related to the Engineering, Procurement and Construction (EPC) contract of Arena Corinthians.

On November 29, 2019, the Company negotiated the Private Instrument of Assignment of Rights, Establishment of a Call Option and Other Covenants (“Assignment Agreement”) with Nagoia Fundo de Investimento em Direitos Créditorios – Não Padronizados (“Nagoia Fund”), of which 2,136 options are assignment of right (“CIDs of the first operation”) and 3,692 options are call options (“call option CIDs”).

The CIDs of the first operation were negotiated for the amount of R$ 82,000 – US$ 20,344 , plus a premium of R$ 7,425 – US$ 1,842 provided for in the Assignment Agreement. As a result of this receipt, the Company recognized in finance result a loss of R$ 57,759 – US$ 14,330 , as described in Note 27.

The call option CIDs were negotiated for the amount of R$ 70,700 – US$ 17,540 and may be exercised by the assignee until June 30, 2020.

On December 31, 2019, the remaining balance is measured at fair value through profit or loss in the amount of R$ 70,700 – US$ 17,540 and was classified as a short-term financial instrument. As a result of the fair value, a loss was recognized in the amount of R$ 169,766 – US$ 42,118 and it is recorded in finance result (Note 27).

In thousands of reais and U.S. dollars, unless otherwise stated

On December 31, 2018, this account also comprises the derivative financial instruments recorded in current assets in the amount of R$ 987 (Note 4.3). In 2019, this balance was settled.

8 Trade Accounts Receivable and advanced from customers

The balances of trade accounts receivable are mainly recorded in Angola, Brazil, Panama, Peru and Dominicana Republic and they include outstanding balances of advances from customers, as follows:

	December 31, 2019								December 31, 2018 (Restated)	
	Accounts receivable and billing rights				Advanced from customers and liabilitie contract (*)					
	R$			US$	R$			US$		
Main countries	Current	Non-current	Total	Total	Current	Non-current	Total	Total	Accounts receivable and billing rights	Advanced from customers and liabilitie contract (*)
Angola	1.640.818	193.129	1.833.947	454.995	7.084	2.824.027	2.831.111	702.387	2.054.642	3.871.431
Brazil	249.881	875.287	1.125.168	279.150	93.574	460.642	554.216	137.499	1.927.228	544.021
Panama	648.415		648.415	160.869	139.455	6.499	145.954	36.211	939.151	276.362
Peru	1.066.998	28.120	1.095.118	271.694	8.095		8.095	2.008	1.239.410	7.644
Dominican Republic	920.289		920.289	228.320	643.285		643.285	159.596	526.060	613.901
Others	409.341	1.048.315	1.457.656	361.638	281.602	3.207.381	3.488.983	865.602	2.860.277	3.373.718
(-) Allowance for expected losses from doubtful accounts (i)	(920.977)	(160.311)	(1.081.288)	(268.263)					(624.791)	
	4.014.765	1.984.540	5.999.305	1.488.403	1.173.095	6.498.549	7.671.644	1.903.303	8.921.977	8.687.077

(*) These refer to advances from customers usually received upon the signing of contracts for the performance of some construction works that are deducted in different percentages from the service provision invoices over the performance period stipulated in the contract. The amounts received from customers that exceed the allocated revenue are also recorded in the "Advances from customers" account, called contract liability, in current and non-current liabilities, in accordance with the period for the performance of the work.

(i) Allowance for expected losses from doubtful accounts

According to IFRS 9 / CPC 48 – Financial Instruments, in the measurement of allowances for expected losses from doubtful accounts, the Company adopted the simplified approach criteria since its receivables do not include significant financing components.

For the measurement of the allowance for expected losses, the Company did not use a matrix of allowances due to the absence of historical losses in its operations that would cause it to determine a criterion for the allowance based on histories of losses. Instead, the Company adopted a geographical matrix model since the monitoring of its operations is determined on a geographical basis. Therefore, for each period, the Company applies the probability of default of each country in which it operates on its credit exposure, which represents the trade accounts receivables less the advances from customers.

Additionally, the Company also assesses the losses incurred arising from one or more events that took place after the initial recognition of the receivable if this loss event has an impact on the Company's cash flows.

Historically, the Company and its subsidiaries have received these credits held with these entities, including those overdue for one year or more, and they have not been presenting significant losses upon their realization. The collection of these overdue amounts occurs through the payment or receipt of government bonds or other assets. As part of their policy to mitigate performance risks in developing countries, the Company and its subsidiaries require advances from customers before starting a project (down payment). These down payments are deducted from each invoice through the end of the contract.

In thousands of reais and U.S. dollars, unless otherwise stated

9 Taxes Recoverable

	December 31, 2019				December 31, 2018		
	R$			US$	R$		
	Brazil	Abroad	Total	Total	Brazil	Abroad	Total
Offset - assets							
Prepayment of income tax	25,399	288,554	313,953	77,890	28,620	187,615	216,235
Indirect taxes	22,458	132,287	154,745	38,392	24,831	46,482	71,313
Taxes withheld at source	6,139	2,555	8,694	2,157	18,026	113,524	131,550
Other	52,949	10,547	63,496	15,753	31,459	40,254	71,713
	106,945	433,943	540,888	134,192	102,936	387,875	490,811
		Current assets	490,258	121,631			461,681
		Non-current assets	50,630	12,561			29,130

10 Inventories

	December 31, 2019		December 31, 2018
	US$		R$
Raw materials	17,679	71,258	79,258
Materials to be used in construction (i)	18,105	72,976	61,841
Marketable properties (ii)	37,500	151,150	161,305
Imports and exports in progress	19,796	79,792	13,286
In transit inventories	5,222	21,049	16,583
Advances to suppliers	15,200	61,268	90,750
	113,502	457,493	423,023

(i) This refers mainly to materials to be used in Consórcio UTE Santa Cruz.
(ii) These mainly refer to inventories of real estate properties for sale in Angola.

11 Other Assets – current and non-current

On December 31, 2019, the balances of other current assets are of different natures and dispersed, and the main ones are: i) accounts receivable amounting to R$ 210,000 – US$ 52,100, arising from the sale of receivables that took place in December 2019; ii) debit notes and invoices issued against companies of the Odebrecht Group amounting to R$ 96,142 – US$ 23,852 (December 31, 2018 – R$ 192,582), as mentioned in Note 12 (b); iii) agreement entered into in 2019 with the consortium companies of the Rnest project amounting to R$ 69,027 – US$ 17,125; and iv) transaction costs related to the OFL Bonds amounting to R$ 47,252 – US$ 11,723 (December 31, 2018 – R$ 12,380).

On December 31, 2019, the balances of other non-current assets are of different natures and dispersed, and they consist mainly of: i) judicial deposits/freezing amounting to R$ 46,749 – US$ 11,598 (December 31, 2018 – R$ 39,631); ii) advances to suppliers amounting to R$ 25,982 – US$ 6,446 (December 31, 2018 – R$ 29,348); iii) prepaid expenses amounting to R$ 18,652 – US$ 4,627 (December 31, 2018 – R$ 28,117); and iv) long-term investments amounting to R$ 73,387 – US$ 18,207.

In thousands of reais and U.S. dollars, unless otherwise stated

12 Related Parties

(a) Changes in balances of Odebrecht Group Companies and Current Account with Consortium Members:

	December 31, 2018	Additions	Disposals	Interests	Provision for losses	Adjusment to present value	Exchange Variation	Transfers / Offsets	December 31, 2019
Current asset	(Restated)								
Current accounts with consortium members									
OSP	88,875		(723)						88,152
Total - Companies under judicial recovery (i)	88,875		(723)						88,152
Non-current asset									
Odebrecht Group Companies									
ODB	463,581	8,522	(95,721)	701	(315,428)		20,741	220	82,616
ODBINV	5,744,094				(5,824,981)		80,887		
ODBIC	471,145				(243,610)		39,934	169,672	437,141
OFL	3,807,556	3,108			(1,718,401)		175,361	(279,478)	1,988,146
Total - Companies under judicial recovery (i)	10,486,376	11,630	(95,721)	701	(8,102,420)		316,923	(109,586)	2,507,903
Other OPI consolidated companies (ii)	96,391	13,717	(30,118)	5,731			5,486		91,207
Aqueduct	1,188	70					100		1,358
Biocom – Cia de Bioenergia de Angola Ltd. - "Biocom" (d)	1,201,948	30,919		30,103		(1,241,720)	74,313		95,563
CNOC (Colômbia) (iii)		5,677	(3,356)		(59,661)		(1,556)	58,896	
Consorcio Constructor Ductos Del Sur	25,169	17,551	(32,155)	544			294		11,403
Others	7,669	1,032	(780)				(1,180)	222	6,963
Total - Other Group companies	1,332,365	68,966	(66,409)	36,378	(59,661)	(1,241,720)	77,457	59,118	206,494
Total Assets - related parties (in R$)	11,818,741	80,596	(162,130)	37,079	(8,162,081)	(1,241,720)	394,380	(50,468)	2,714,397
Total Assets - related parties (in US$)	2,932,181	19,996	(40,224)	9,199	(2,024,979)	(308,066)	97,844	(12,521)	673,431

In thousands of reais and U.S. dollars, unless otherwise stated

	December 31, 2018	Additions	Disposals	Interests	Exchange Variation	Transfers / Offsets	December 31, 2019
Non-current liabilities							
Odebrecht Group Companies							
ODB	(361,615)		198,867			(441)	(163,189)
ODBIC	(257,439)			(1,233)	(8,797)	(169,672)	(437,141)
OFL	(1,154,694)				(46,458)		(1,201,152)
OSP	(879,318)	(11,465)	15,637				(875,146)
Total - Companies under judicial recovery (i)	(2,653,066)	(11,465)	214,504	(1,233)	(55,255)	(170,113)	(2,676,628)
Other OPI consolidated companies (ii)	(253,190)	(284,931)	212,065	(18,783)	(5,396)		(350,235)
Aqueduct	(506,925)				(20,396)		(527,321)
CNOC (Colômbia)					126	(283)	(157)
Consorcio Constructor Ductos Del Sur	(64,768)	(47,661)	71,514	1,340	9,885		(29,690)
Consorsio Constructor Chavimochic	(26,828)		19,962	1,381	(129)		(5,614)
Horiens Corretora de Seguros Ltda.	(32,352)		2,962				(29,390)
OCS-International Ltd	(9,276)				(335)		(9,611)
OR	(6,497)						(6,497)
Others	(1,592)	(103)	4	(37)	(74)		(1,802)
Total - Other Group companies	(901,428)	(332,695)	306,507	(16,099)	(16,319)	(283)	(960,317)
Total Liabilities - related parties (in R$)	(3,554,494)	(344,160)	521,011	(17,332)	(71,574)	(170,396)	(3,636,945)
Total Liabilities - related parties (in US$)	(881,855)	(85,385)	129,261	(4,300)	(17,757)	(42,275)	(902,311)

(i) The balance of net liabilities of OEC and subisidiaries of ODB Group companies that are under judicial recovery amount to R$ 80,573 – US$ 19,990 (R$ 2,676,628 - R$ 2,596,055).
(ii) This refers to balances with OPI's consolidated companies that are not under judicial recovery: Concessionária Trasvase Olmos S.A., Odebrecht Latinvest Peru SAC, Odebrecht Energia Del Peru, Technik Invest SAC, Inversiones en Infraestructura Transportes por Ductos SAC, Odebrecht Latinvest Peru Ductos S.A., Concessionaria IIRSA Norte S.A., Concesionaria Interoceanica Sur Tramo 2 S.A., Concesionaria Interoceanica Sur Tramo 3 S.A. and Bairro Novo Empreendimentos S.A.
(iii) On December 31, 2019, the provision for the credits with CNOC was recognized in the amount of R$ 59,661 – US$ 14,802, as mentioned in Note 1 (e), as a contra-entry to finance result (Note 27).

In thousands of reais and U.S. dollars, unless otherwise stated

(b) Other transactions with related parties:

Current asset	December 31, 2018	Additions	Disposals	Interests	Provision for losses/AVP	Exchange Variation	December 31, 2019
Accounts receivable							
ODB	879		(5)			35	909
OSP	13	17			(30)		
OPE	40,236	276	(276)		(40,236)		
Total - Companies under judicial recovery	41,128	293	(281)		(40,266)	35	909
Other OPI consolidated companies	63,675	3,845	(3,381)			1,690	65,829
Consorcio Construtor Chavimochic - Peru	278					11	289
Gasoduto Sur Peruano	911,854				(76,230)	36,349	871,973
Biocom (d)	1,063	16			(15)	43	1,107
Odebrecht Ambiental Participações	8,616					706	9,322
Braskem	3,704	90,007	(85,571)				8,140
OTP - Investees	34,811	3,211	(3,211)				34,811
Odebrecht Properties - Subsidiaries (ii)	89,947						89,947
Odebrecht Energia - Subsidiaries (iii)	37,965						37,965
Odebrecht Realizações	23,883	23,729	(23,729)				23,883
Other - Assets	56,679		(6,365)			60	50,374
Total - Other Group companies	1,232,475	120,808	(122,257)		(76,245)	38,859	1,193,640
Other Assets							
ODB	15,879	11,310	(27,184)				5
ODBINV	196		(196)				
OPI	5,460	285	(74)		(89)		5,582
OSP	2,846	539	(506)		(2,512)		367
Odebrecht Properties	10,618	2,954	(11,024)		(1,485)		1,063
Edíficio Odebrecht RJ S.A.	286				(198)		88
Odebrecht Energia	11,544	970	(118)		(1,159)		11,237
Atvos	9,118	19,500	(16,086)		(12,532)		
OPE	5,631	2,284	(1,700)		(6,215)		
Total - Companies under judicial recovery	61,578	37,842	(56,888)		(24,190)		18,342
Other OPI consolidated companies	1,228	999	(910)			(5)	1,312
Biocom (d)	353	11,133			(10,650)		836
Odebrecht Ambiental Participações	10,970	3,495	(2,604)			334	12,195
Braskem	3,949	57,506	(60,451)				1,004
OTP - Investees	10,629	29,093	(12,772)			(282)	26,668
Odebrecht Realizações	55,911	17,894	(45,928)				27,877
Ocyan	4,166	8,496	(8,719)				3,943
Odebrecht Defesa e Tecnologia	6,120	1,410	(1,456)		(4,092)		1,982
CNOC (Colômbia) (i)	35,901	186			(37,532)	1,445	
AOT Pipelines S.A.P.I. DE C.V.	1,448	173	(190)			123	1,554
Other - Assets	329	3,535	(3,435)				429
Total - Other Group companies	131,004	133,920	(136,465)		(52,274)	1,615	77,800
Total Current Assets - other related parties (in R$)	1,466,185	292,863	(315,891)		(192,975)	40,509	1,290,691
Total Current Assets - other related parties (in US$)	363,754	72,658	(78,371)		(47,876)	10,050	320,215

In thousands of reais and U.S. dollars, unless otherwise stated

Non-current assets	December 31, 2018	Additions	Disposals	Interests	Provision for losses/AVP	Exchange Variation	December 31, 2019
Accounts receivable							
Biocom (d)	93,960	3,525			(94,534)	4,462	7,413
	93,960	3,525			(94,534)	4,462	7,413
Other assets							
OSP	12				(12)		
OPE	832				(832)		
Total - Companies under judicial recovery	844				(844)		
Biocom (d)	181,118	1,419			(169,263)		13,274
OTP - Investees		7,525		788			8,313
Other - Assets	11		(6)				5
Total - Other Group companies	181,129	8,944	(6)	788	(169,263)		21,592
Total Non-current Assets - other related parties (in R$)	275,933	12,469	(6)	788	(264,641)	4,462	29,005
Total Non-current Assets - other related parties (in US$)	68,458	3,094	(1)	195	(65,656)	1,107	7,196

In thousands of reais and U.S. dollars, unless otherwise stated

Current liabilities	December 31, 2018	Additions	Disposals	Interests	Exchange Variation	December 31, 2019
Suppliers						
ODB	9,193	1,373	(688)		169	10,047
OSP	30,522	10,440	(11,454)			29,508
Odebrecht Properties	134	47	(33)			148
Edíficio Odebrecht RJ S.A.	16,860	11,348	(4,088)			24,120
Atvos	225	127				352
Total - Companies under judicial recovery	56,934	23,335	(16,263)		169	64,175
Braskem México	1,150	138	(151)		98	1,235
Other OPI consolidated companies	1,123		(271)		22	874
AOT Pipelines S.A.P.I. DE C.V.	17,126	1,907	(3,664)		1,340	16,709
Other - liabilities	29,215	96,749	(125,000)			964
Total - Other Group companies	48,614	98,794	(129,086)		1,460	19,782
Other Liabilities						
ODB	242					242
OSP	22		(22)			
Total - Companies under judicial recovery	264		(22)			242
OR	5,209	21				5,230
Other - liabilities		119				119
Total - Other Group companies	5,209	140				5,349
Total Liabilities - other related parties (in R$)	110,757	122,269	(145,349)		1,629	89,306
Total Liabilities - other related parties (in US$)	27,478	30,334	(36,060)		404	22,156

(i) On December 31, 2019, the provision for the credits with CNOC was recognized in the amount of R$ 37,532 – US$ 9,312, as mentioned in Note 1 (e), as a contra-entry to operating expenses.
(ii) This refers mainly to Arena Pernambuco.
(iii) This refers mainly to Santo Antônio Energia.

(c) Receivables from companies under judicial recovery

On June 17, 2019, the companies (i) ODBINV, (ii) ODB, (iii) OSP Investimentos S.A. ("OSPInv"), (iv) OSP, (v) Atvos Agroindustrial Investimentos S.A., (vi) OPI S.A., (vii) OPISA, (viii) ODBIC, (ix) OFL, (x) Odebrecht Energia Investimentos S.A. ("OEI"), (xi) OE, (xii) Odebrecht Energia Participações S.A. ("OEP"), (xiii) Odebrecht Energia do Brasil S.A. ("OE Brasil"), (xiv) Odebrecht Participações e Engenharia S.A., (xv) Edifício Odebrecht RJ S.A ("EORJ"), (xvi) OPINV, (xvii) Odebrecht Properties Parcerias S.A. ("OPP"), (xviii) OP Centro Administrativo S.A. ("OP Centrad"), (xix) OP Gestão de Propriedades S.A. ("OP Gestão"), Mectron Engenharia , (xx) Mectron filed a petition for judicial recovery in the courts of São Paulo, seeking the stability of its economic and financial situation.

On October 4, 2019, Enseada also filed a petition for judicial recovery.

In this context, by December 31, 2019, the ODB Group companies that are under judicial recovery had not approved the respective recovery plans. The Company's management assessed the need for a impairment for expected losses on intercompany credits, and this impairment can be changed after the approval of the above mentioned judicial recovery. The total amount impaired was R$ 8,167,720 – US$ 2,026,378 , of which R$ 8,102,420 – US$ 2,010,177 was recognized in finance result arising from the balances of the ODB Group companies (Note 27) and R$ 65,300 – US$ 16,201 was recognized as operating expense arising from the other intercompany balances substantially related to the receipt from Enseada, Mectron and Atvos, arising from recoveries of service expenses and invoices.

(d) Credits with Biocom – Companhia de Bioenergia de Angola Ltd.

The Company, through its direct and indirect subsidiaries in Brazil and abroad, maintains outstanding balances in the balance sheet in the accounts "Accounts receivable from the Odebrectht Group companies", "Trade accounts receivable" and "Other assets" in current and non-current assets with the associate Biocom arising from the export of goods and services and loan agreements as additional provisions in the period between 2010 and 2019.

On December 06, 2019, Biocom's stockholders, together with local Banks (Banco Angolano de Investimentos – BAI, Banco de Fomento Angola – BFA and Banco Econômico – BE) formulated the main terms of the renegotiation of the loans contracted by Biocom, which are documented in the Indicative Fact Sheet ("FIT"), which is still in the process of confirmation and signatures.

The terms of this renegotiation in progress provides for the settlement of the debt with the local banks in a period of 126 months (10.5 years), and only after the settlement of the debt with the local banks can the outstanding balances be settled with stockholders and related parties, in accordance with the financial payment capacity of Biocom.

In this scenario, on December 31, 2019, the Company recorded impairment on its current and non-current assets as a contra-entry to finance result, in the amount of R$ 1,516,182 – US$ 376,158, as adjustment to present value, which reflects the expected fair value for the realization of these outstanding balances on that same date.

In thousands of reais and U.S. dollars, unless otherwise stated

(e) Compensation of key management personnel

	December 31, 2019			December 31, 2018		
	Statutory Executive Board	Board of Directors	Total	Statutory Executive Board	Board of Directors	Total
Monthly compensation	7,987	6,421	14,408	22,081	4,352	26,433
Short-term incentives	13,665		13,665	9,900		9,900
In R$	21,652	6,421	28,073	31,981	4,352	36,333
In US$	5,372	1,593	6,965			

Key management personnel include the members of the Board of Directors and statutory officers of OEC and its subsidiaries CNO and OECI.

The realized and expected amounts are within the limits approved at the Annual and Extraordinary General Stockholders' Meeting held on April 30, 2019.

13 Current and Deferred Income Tax and Social Contribution

Deferred income tax and social contribution are calculated on income tax and social contribution loss carryforwards, the latter related to investments in Brazil, and on temporary differences between the tax bases of assets and liabilities and their carrying amounts. The rates in Brazil, currently established for determining these deferred taxes, are 25% for income tax and 9% for social contribution. The nominal rates in other countries vary from 25% to 35%.

(a) Recognition of Deferred Income Tax and Social Contribution

The breakdown of the deferred income tax and social contribution accounts at December 31, 2019 and December 31, 2018 is as follows:

	Non-current assets			Non-current liabilities		
		December 31, 2019	December 31, 2018		December 31, 2019	December 31, 2018
Nature of the credits	US$		R$	US$		R$
Income tax losses	122,701	494,570	1,696,232	3,497	14,096	
Social contribution loss carryforwards	1,727	6,960	2,679			
	124,428	501,530	1,698,911	3,497	14,096	
Temporary differences						
Provisions	122,050	491,945	235,897	876	3,530	(61,238)
Foreign exchange variation	(60,353)	(243,263)	(1,268,482)	41,608	167,708	383,192
Adjustment to present value	(3)	(11)	5,322			
Taxes for which payment has been suspended						10,307
Government agencies				18,322	73,849	123,567
Other	18,685	75,316	(94,426)	13,790	55,585	
	204,807	825,517	577,222	78,093	314,768	455,828

(b) Recoverability of Recorded Deferred Income Tax and Social Contribution Assets

On December 31, 2019, the Company and its subsidiaries have deferred income tax and social contribution assets mainly related to temporary differences based on the realization of such differences supported by the forecast of future results.

This forecast considers mainly the Company's backlog (the portfolio of revenue that has already been contracted by the Company and its subsidiaries), the new contracts expected for the coming years and the availability, for taxation purposes, of the income accrued by subsidiaries located abroad on the balance sheet date on which they were determined.

In thousands of reais and U.S. dollars, unless otherwise stated

(c) Tax Regularization Program – PRT and Special Tax Regularization Program - PERT

In 2017, the Company joined the PRT and PERT tax regularization programs for the purpose of settling the amount of R$ 2,299,140 – US$ 570,407 (including fine and interest) related to federal tax debts.

The amount will be settled by means of the payment of 24% of the debt in 24 installments and the remaining amount (76%) will be paid with the use of credits from income tax and social contribution tax loss carryforwards, in the amount of R$ 85,414 – US$ 21,191, and credits acquired from Odebrecht Group companies, in the amount of R$ 1,661,653 – US$ 412,249.

In 2018, OEC consolidated the installments and, by December 31, 2019, installments amounting to R$ 544,806 – US$ 135,164 had been settled. Of the remaining balance of R$ 8,098 – US$ 2,009 recorded in liabilities, R$ 6,545 – US$ 1,624 refers to the principal amount adjusted by the Accumulated Basic Selic rate at R$ 1,553 – US$ 385.

(d) Ordinary financing

In April and August 2019, the Company joined the Ordinary Financing to settle income tax and social contribution debts from previous years amounting to R$ 65,801 – US$ 16,325 in 60 installments and, by December 31, 2019, the amount of R$ 7,773 – US$ 1,928 had been settled. The remaining balance of R$ 60,082 – US$ 14,906, recorded in liabilities, R$ 58,028 – US$ 14,397 refers to the principal amount and R$ 2,054 – US$ 510 refers to the adjustment based on the Accumulated Basic Selic rate.

14 Non-current assets held for sale and discontinued operations

(a) Balance Sheet

		December 31, 2019	December 31, 2018
	US$		R$
Concessionária Trasvase Olmos S.A. ("CTO") (i)			20,366
Concessionária Ruta Del Sol S.A.S ("Rutas del Sol") (ii)	43,482	175,266	229,961
Rutas de Lima SAC ("Rutas de Lima") (iii)	64,755	261,007	246,454
Concessionária Chavimochic S.A.C ("Chavimochic") (iv)	4,021	16,207	19,143
H2 Olmos S.A. ("H2 Olmos") (i)			3
	112,258	452,480	515,927

(i) CTO and H2 Olmos – On September 30, 2019, the investments in CTO and H2 Olmos were transferred to the "Investments" account since the previously expected plans for their sale did not materialize.

(ii) Ruta Del Sol - On February 22, 2017, the National Infrastructure Agency of Colombia ("ANI") and Concessionária Ruta del Sol entered into an agreement for the rescission and settlement of the Concession Agreement No. 01 of 2010, as amended on March 27, 2017, and agreed upon a calculation formula, which is subject to the approval of the proper legal authority, for the settlement of the agreement. This agreement also provides for the rights and obligations in the transition period and the period for the return of the assets. This Agreement was not performed by ANI and, accordingly, this negotiation was taken to a Local Arbitration Court for the sole purpose of having the Nullity of the Concession Agreement declared, even though it had already been terminated.

In thousands of reais and U.S. dollars, unless otherwise stated

On September 14, 2017, the Administrative Court of Cundinamarca established the additional administrative measures required by the Agreement and, on October 20, 2017, ANI and the Concessionaire signed the Contract for the Return and Delivery of the Infrastructure, formalizing the return of the returnable assets, except for 26 safeguards that state that the return has not yet taken place and only the delivery of the infrastructure has.

On August 16, 2019, the Local Arbitration Court ratified the Arbitration Report by which the Nullity of the Concession Agreement is determined and, as a consequence, the Court determined the return of the assets to the Concessionaire based on a law that has been recently approved and that can be retroactively applied. In accordance with the Report, the Court-Appointed Expert (Duff & Phelps) recognized the investment made and it was validated by the Party-Appointed Expert in the same arbitration proceeding. Notwithstanding, the Court, without any technical support or, at least, with no grounds validated by experts with knowledge to do so, made adjustments to the investment amount. The amount of the adjustments discounted by the Court must be claimed at international venues, specifically the International Chamber of Commerce ("ICC"), in accordance with the clause for the settlement of disputes in the Contract, which, despite its termination, still prevails.
In addition to the previous international claim, creditor banks, stockholders and the Concessionaire had presented, by December 31, 2019, the Appeal for the Annulment of the Local Report, in addition to the intention of filing for a Relief Appeal. The outcome of these appeals, in the best case scenario, would be the annulment of the above mentioned Arbitration Report.

Additionally, on December 31, 2019, the Company recognized an impairment loss on the above mentioned investment in the amount of R$ 63,947 – US$ 15,865 , based on the appraisal report of the settlement amount presented by Duff & Phelps during the arbitration proceeding. This amount was presented as a loss from discontinued operations in the statement of operations.

(iii) Rutas de Lima – On June 28, 2016, Odebrecht Latinvest Peru S.A.C. ("OLI SAC") disposed of 57% of the capital of Rutas de Lima to BIF III Peru Transportation I S.A.C. ("BIF"). In the same transaction, BIF obtained a call option for 25% of the shares of Rutas de Lima held by CNO, a direct subsidiary of the Company. BIF has four years to exercise the call option.

(iv) Chavimochic - In 2017, Chavimochic filed a petition for the forfeiture of the concession agreement for a cause that is imputable to the concession authority, without necessarily implying the immediate rescission of the concession agreement, which gave rise to an international arbitration procedure to settle the disputes generated by the default in the concession agreement by the concession authority. In 2018, an Arbitration Court was established, which is currently in progress, in accordance with the procedural calendar, and it is expected to be completed by the end of 2020.

(b) Income Statement for the year

	Year Ended December 31		
		2019	2018
	US$		R$
CNO S.A - Sucursal Venezuela (v)	(346,720)	(1,397,524)	(84,464)
CBPO Ingenieria de Venezuela C.A. (v)	(7,739)	(31,192)	(3,093)
CBPO Ltda. - Sucursal Venezuela (v)	(8,702)	(35,077)	505
Chavimochic	(975)	(3,929)	
Rutas del Sol (ii)	(15,865)	(63,947)	
	(380,001)	(1,531,669)	(87,052)
Loss of discontinued operations for the year – per share	(0.033)	(0.133)	(0.010)

(v) This refers to the discontinuation of the operation of the Company's branches and subsidiary in Venezuela, as displayed in Note 1 (d), of which R$ 1,581,672 – US$ 392,406 relates to the provision for the assets, less foreign exchange and inflation adjustment gains amounting to R$ 117,879 – US$ 29,245.

In thousands of reais and U.S. dollars, unless otherwise stated

15 Investments

(a) Information on the main Investees

	Shares / Quotas directly or indirectly held		Company's interest %		Total assets		Liabilities (Current and Non-current)		Equity (Net capital deficiency)		Revenue		Profit (loss) for the period/year	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
OSPInv (i)	816,671,285	816,544,802	41.47	41.47	11,184,631	11,909,373	12,688,757	10,783,000	(1,504,125)	1,126,373	41,598	144,792	(2,973,103)	(828,982)
CTO - Concessionária Travasse Olmos	23,052,086	23,052,086	36.32	36.32	453,544	298,717	384,538	258,402	69,006	40,315	74,465		2,725	4,183
Elos Ligações de Alta Velocidade S.A.	65,220	65,220	13.04	13.04	735,069	702,800	136,478	779,566	598,591	(76,766)	44		(3,365)	
SPV Andrade Gutierrez Odebrecht	52,500	52,500	50	50	85,341	90,987	44,685	(83,710)	40,656	(7,277)	43,176		13,121	(1,354)
Etileno XXI Holding B.V.	18,000	18,000	50	50	59,234	44,041	229	131	59,004	43,910			2,871	
Etileno XXI Services B.V..	18,000	18,000	40	40	108,149	86,741	26,444	8,601	81,704	78,140	22,331		19,458	(34,779)
				Total in R$	12,625,968		13,281,131		(655,164)		181,615		(2,938,292)	
				Total in US$	3,132,450		3,294,994		(162,544)		45,058		(728,978)	

(i) OSPInv was incorporated on May 29, 2015. It is a closely-held corporation headquartered in São Paulo, State of São Paulo. OSPInv holds a direct interest in the subsidiaries: OSP (100%), Atvos Agroindustrial Investimentos S.A. – under judicial recovery (82,30%) and Braskem (38,38%).

In thousands of reais and U.S. dollars, unless otherwise stated

(b) Changes in investments and provision for net capital deficiency

Investments - associates	Company's interest %	Country	December 31, 2018 (Restated)	Additions	Disposals	Dividends	Transfer to held for sale assets	Carrying value adjustment	Retained earnings (accumulated deficit) adjustments	Equity in the results of investees (a)	Other equity (iii)	Translation adjustments	December 31, 2019
CTO - Concessionária Trasvase Olmos (iii)	36.32	Peru					20,366			990	2,386	1,322	25,064
CENTRAD - Concórcio do Centro ADM	5.00	Brazil	14,136					(277)		3,212	(1,897)		15,174
OSP Investimentos S.A.	41.47	Brazil	467,107	126				(91,087)		(588,873)	111,661	101,066	
Etileno XXI	40.00	Netherlands	52,593						1,231	6,348		2,010	62,182
Grand Parkway	50.00	USA	11,664			(3,447)				224		537	8,978
SPV Andrade Gutierrez Odebrecht	50.00	Gana	14,099							6,560	(858)	527	20,328
RTC - Rio Trens Corporation (i)	12.80	Brazil	27,347		(23,431)					(2,295)		(1,621)	
AOT Pipelines	33.34	Mexico	15,738							36		1,287	17,061
ELOS - Ligação de Alta Velocidade S.A.	13.04	Portugal	11,845	65,867	(92)							431	78,051
Kulanda Malls	30.00	Angola	17,205							(5,118)		746	12,833
Other investments			7,861	185		(13,392)	3		(6,889)	13,426	6,890	(1,717)	6,367
Total investments - Associates (in R$)			639,595	66,178	(23,523)	(16,839)	20,369	(91,364)	(5,658)	(565,490)	118,182	104,588	246,038
Total investments - Associates (in US$)				16,418	(5,836)	(4,178)	5,053	(22,667)	(1,404)	(140,296)	29,320	25,948	61,041

Provision for net capital deficiency	Company's interest %	Country	December 31, 2018 (Restated)	Additions	Disposals	Dividends	Transfer to held for sale assets	Carrying value adjustment	Retained earnings (accumulated deficit) adjustments	Equity in the results of investees (a)	Other equity (iii)	Translation adjustments	December 31, 2019
B.SABOR - Bento Pedroso Const. e Lena	50.00	Portugal	(8,250)							158		(160)	(8,252)
Biocom - Companhia de Bioenergia de Angola, Limitada.	40.00	Angola	(170,827)							(16,098)		(9,181)	(196,105)
Other			(1,933)							(16)		(40)	(1,989)
Total provision for net capital deficiency (in R$)			(181,010)							(15,956)		(9,381)	(206,346)
Total provision for net capital deficiency (in US$)										(3,959)		(2,327)	(51,194)
Net investment			458,585	66,178	(23,523)	(16,839)	20,369	(91,364)	(5,658)	(463,264)	118,182	95,207	39,692

(a) This refers to Equity in the results of investee in the amount of R$ 463,264 – US$ 114,934.

(i) Sale, in May 2019, of the totality of the shares of RTC held by OOL to Odebrecht Transport S.A.
(ii) This refers to changes in the retained earnings of investees.
(iii) Transfer of R$ 20,366 – US$ 5,053 from the non-current assets held for sale.

In thousands of reais and U.S. dollars, unless otherwise stated

16 Property and Equipment

	Land	Buildings and Installations	Machinery and Equipment	Vehicles and Ships	Furniture and Fixtures	IT Equipment	Construction in Progress	Other	Total
Cost	32,558	423,621	1,182,952	309,407	162,385	85,251	56,361	300,104	2,552,639
Acumulated depreciation		(119,433)	(837,260)	(225,014)	(107,252)	(64,668)		(191,363)	(1,544,990)
At January 1, 2018	32,558	304,188	345,692	84,393	55,133	20,583	56,361	108,741	1,007,649
Additions		1,546	39,055	14,094	3,111	1,939		14,521	74,266
Disposals	(2,944)	(28,820)	(62,774)	(17,791)	(8,449)	(2,033)		(25,592)	(148,403)
Transfers			22,041	331	(2,298)	3,144	(633)	(22,585)	
Depreciation		(13,348)	(81,716)	(27,528)	(14,374)	(11,374)		(32,568)	(180,908)
Exchange variation	3,325	56,145	61,806	16,622	5,472	3,418		8,043	154,831
	32,939	319,711	324,104	70,121	38,595	15,677	55,728	50,560	907,435
Cost	32,939	455,641	1,192,558	325,017	151,185	102,109	55,728	354,074	2,669,251
Acumulated depreciation		(135,930)	(868,454)	(254,896)	(112,590)	(86,432)		(303,514)	(1,761,816)
At December 31, 2018 - R$	32,939	319,711	324,104	70,121	38,595	15,677	55,728	50,560	907,435
Annual depreciation rates (%)		4	20	25	10	20		up to 10	

In thousands of reais and U.S. dollars, unless otherwise stated (continued)

	Land	Buildings and Installations	Machinery and Equipment	Vehicles and Ships	Furniture and Fixtures	IT Equipment	Construction in Progress	Other	Total
Cost	32,939	455,641	1,192,558	325,017	151,185	102,109	55,728	354,074	2,669,251
Acumulated depreciation		(135,930)	(868,454)	(254,896)	(112,590)	(86,432)		(303,514)	(1,761,816)
At January 1, 2019	32,939	319,711	324,104	70,121	38,595	15,677	55,728	50,560	907,435
Additions		187	30,615	3,166	3,397	678	83	1,245	39,371
Disposals	(763)	(33,618)	(68,243)	(12,941)	(8,156)	(991)		(5,757)	(130,469)
Transfers			(7,314)	3,299	2,214	1		55,805	54,005
Depreciation		(8,901)	(53,454)	(16,934)	(8,454)	(7,765)		(32,524)	(128,032)
Impairment (i)	(165)	(1,435)	(604)	(1,723)	(4,671)	(256)		(1,940)	(10,794)
Exchange variation	132	(1,048)	(25,858)	(9,227)	3,680	(1,300)		(14,451)	(48,072)
	32,143	274,896	199,246	35,761	26,605	6,044	55,811	52,938	683,444
Cost	32,143	375,311	737,347	250,437	128,087	84,637	55,811	374,754	2,038,527
Acumulated depreciation		(100,415)	(538,101)	(214,676)	(101,482)	(78,593)		(321,816)	(1,355,083)
At December 31, 2019 - R$	32,143	274,896	199,246	35,761	26,605	6,044	55,811	52,938	683,444
At December 31, 2019 - US$	7,975	68,201	49,432	8,872	6,601	1,499	13,846	13,134	169,560
Annual depreciation rates (%)		4	20	25	10	20		up to 10	

(i) Impairment related to assets in Venezuela (Note 1 (d)).

In thousands of reais and U.S. dollars, unless otherwise stated

17 Right of use

(a) Information on the right of use

The main transactions of the Company as a lessee relate to offices and equipment. These leases are negotiated on an individual basis and contain several terms and conditions.

The lease payments are discounted based on the rate that is implicit in the contract. If this rate cannot be determined, the supplemental interest rate for loans of the Company is considered, which is equivalent to the rate that the Company would pay if it borrowed money, with a similar term and guarantee, necessary for the obtainment of a similar asset in a similar economic environment and under similar conditions. The Company applied a single discount rate to the lease portfolio, which is equivalent to the market rate.

The right-of-use asset is measured at cost composed of:

- Initially measured lease liability amount;
- Any payment made until the beginning of the lease, net of any incentive received;
- Any direct initial cost; and
- Restoration costs.

(b) Changes in the right of use

	Building lease	Machinery and equipment lease	Information technology equipment lease	Total
Cost	81.726	986		82.712
Accumulated amortization				
At January 1, 2019	81.726	986		82.712
Additions	60.132	70	154	60.356
Disposals	(38)	(93)		(131)
Depreciation	(16.611)	(328)	(68)	(17.007)
Foreign currency translation adjustment	596			596
Accounting balance	125.805	635	86	126.526
Cost	142.040	1.296	154	143.490
Accumulated depreciation	(16.235)	(661)	(68)	(16.964)
At December 31, 2019 - R$	125.805	635	86	126.526
At December 31, 2019 - US$	31.212	158	21	31.391

In thousands of reais and U.S. dollars, unless otherwise stated

18 Debts

(a) Breakdown of debts

Financial Institution	Country	Currency	Type of operation	Type	Annual Financial Charges	December 31, 2019		December 31, 2018
						US$	R$	R$ (Restated)
Banco Regional do Keve	Angola	KWA	Operational	Short-term debts	Fixed interest 23,80% + EV	2,095	8,444	25,238
Royal Bank of Scotland	Cayman Islands	US$	Investment	ECA	Fixed interest 10,25% + EV	8,186	32,996	30,862
Landesbank Baden	Dominican Republic	US$	Investment	Short-term debts	LIBOR + 2.025% + EV	3,391	13,669	12,775
Banco Occidental de Descuento	Venezuela	VES	Operational	Long-term debt	Fixed interest 24% + EV	6	26	166
Banco de Occidente	Colombia	COP	Investment	Leasing	DTF + 3.00% + EV			13,823
Crédito Agrícola Costa Azul	Portugal	€	Operational	Long-term debt	EURIBOR 12M + 2.50%	3,415	13,764	20,594
Banco Africano de Investimentos	Angola	KWA	Operational	Short-term debts	Libor 6M + 1,50% p.y Spread (20,59%)	2,672	10,772	30,553
Banco Fomento de Angola	Angola	KWA	Operational	Short-term debts	Fixed interest 19.50% + EV	11,103	44,752	37,858
Banco Internacional de Crédito	Angola	KWA	Operational	Short-term debts	Libor 6M + 2,00% p.y Spread (21,34%)	2,304	9,288	
Banco Millennium Atlântico	Angola	KWA	Operational	Short-term debts	Libor 1M + 2,75% p.y Spread (21,29%)	13,302	53,618	
Liberty Mutual Surety	USA	US$	Operational	Short-term debts	Fixed interest 5,35% + EV	13,289	53,562	
Novo Banco	Portugal	€	Operational	Long-term debt	EURIBOR (6M) + Spread 6%	16,387	66,053	
Mashreq Bank	United Arab Emirates	AED	Operational	Short-term debts	EURIBOR 3M + 3.00%			17,463
Banco do Brasil	Brazil	R$	Operational	ACC	Fixed interest 7.43%	48,106	193,899	195,966
Several foreign financial institutions	Several	US$			Fixed interest 6,74% + EV	105	417	8,694
						124,361	501,260	393,992
					Bonds - OFL (i)	627,201	2,528,058	279,479
						751,562	3,029,318	673,471
					Current liabilities	731,656	2,949,084	603,883
					Non-current liabilities	19,906	80,234	69,588

Abbreviations:

COP - Colombian Peso	EV - Exchange Variation
DTF - Deposits to Fixed Terms Rate	VES - Sovereign Bolivars
EURIBOR - Euro Interbank Offered Rate	US$ - American Dollar
LIBOR - London Interbank Offered Rate	€ - Euro
KWA - Kwanza (Angola currency)	AED - Dirham
ECA - Export Credit Agencies	R$ - Brazilian Reais
ACC - Advances on Exchange Contracts	

On December 31, 2019, the following financing agreements were terminated: Royal Bank of Scotland (RBS) / OOL, Landesbank Baden (LBBW) / CNO RD and Banco Fomento de Angola (BFA) / OAL. These amounts are being negotiated with the respective financial institutions so as to establish the new conditions and terms for the amortization of the respective balances.

In thousands of reais and U.S. dollars, unless otherwise stated

(b) Changes in debts

Countries	December 31, 2018	Additions	Principal amortization	Interest amortization	Provision of guarantees (i)	Provision of interests	Exchange Variation	Transfers	December 31, 2019
	(Restated)								
Angola	93,648	137,794	(61,007)	(829)		1,905	(44,637)		126,874
Colombia (iii)	13,824					991	172	(14,987)	
United Arab Emirates	17,463		(16,906)	(403)			(154)		
Portugal	20,595	65,867	(7,157)				512		79,817
Dominican Republic	12,775			(87)		584	398		13,670
Venezuela	165	523	(202)				(460)		26
USA	8,694	54,270	(1,862)			528	(1,340)	(6,311)	53,979
Cayman Islands	30,862					873	1,261		32,996
Brazil	195,966		(17,921)	(446)		7,491	8,808		193,898
Brazil - guarantee of Bonds (ii)	279,479				2,403,559		124,499	(279,479)	2,528,058
Total Loan and Finance Debts (in R$)	673,471	258,454	(105,055)	(1,765)	2,403,559	12,372	89,059	(300,777)	3,029,318
Total Loan and Finance Debts (in US$)		64,121	(26,064)	(438)	596,313	3,069	22,095	(74,621)	751,562

(i) On June 30, 2019, the Company, as a guarantor of the Bonds, recorded a provision for guarantee at fair value in its current liabilities as a contra-entry to finance result in the amount of US$ 627,201 – R$ 2,403,559 (Note 1 (b)) / (Note 27).
(ii) On December 31, 2018, the Company, as a guarantor of the Bonds, recorded the amount of R$ 279,479 – US$ 69,338, related to the interest that was then overdue, in its current liabilities as a contra-entry to assets with related parties, OFL. On June 17, 2019, the Company reversed the previously mentioned accounting records as a result of OFL's judicial recovery.
(iii) This refers to the transfer of the consolidated balances of CNOC to the "Other liabilities" account in non-current liabilities (Note 1 (e)).

In thousands of reais and U.S. dollars, unless otherwise stated

The balance of debts classified as non-current liabilities mature as follows:

	December 31, 2019	
	US$	R$
2021	16,491	66,470
2023	3,415	13,764
	19,906	80,234

The Company's debts are denominated in the following currencies:

		December 31, 2019	December 31, 2018
	US$		R$
			(Restated)
Local currency (Reais)	48,106	193,899	195,966
Foreign currency (U.S. Dollars)	652,171	2,628,702	331,810
Foreign currency (Kwanza)	31,477	126,874	93,649
Foreign currency (Euro)	19,802	79,817	20,594
Foreign currency (Others)	6	26	31,452
	751,562	3,029,318	673,471

(c) Covenants

The loans and financing agreements of the Company and its subsidiaries are free of financial covenants. The Company has complied with all non-financial covenants.

19 Suppliers and Subcontractors

					December 31, 2019	December 31, 2018
	Current	Overdue - 1 - 90 days	Overdue - 91 - 365 days	Overdue more than 365 days	Total	Total
Brazil	115,082	80,381	120,436	11,848	327,747	269,111
Abroad	173,347	263,953	248,567	3,082,169	3,768,036	3,963,166
Total (in R$)	288,429	344,334	369,003	3,094,017	4,095,783	4,232,277
Total (in US$)	71,558	85,428	91,548	767,613	1,016,147	
				Current liabilities (R$)	4,087,264	4,219,999
				Current liabilities (US$)	1,014,033	
				Non-current liabilities (R$)	8,519	12,278
				Non-current liabilities (US$)	2,114	

The Company's working capital is managed so as to link the payments to suppliers with the receipt from customers. Of the amounts that have been due for more than 365 days, nearly 60% is due to suppliers in Venezuela and Peru, and which must follow the working capital management concept adopted by the Company.

In thousands of reais and U.S. dollars, unless otherwise stated

20 Taxes, Fees, Salaries and Social Contributions

	December 31, 2019		December 31, 2018
	US$		R$
Labor obligations			
Brazil	42,773	172,406	168,411
Abroad	73,473	296,147	559,166
	116,246	468,553	727,577
Tax obligations (a)			
Brazil	21,073	84,937	108,335
Abroad	161,254	649,970	872,135
	182,327	734,907	980,470
	298,573	1,203,460	1,708,047
Current liabilities	286,295	1,153,970	1,704,265
Non-current liabilities	12,278	49,490	3,782

(a) Breakdown by nature of the tax liabilities:

	December 31, 2019		December 31, 2018
	US$		R$
Liabilities - payable			
Income tax and Income tax withheld at source	128,277	517,046	643,158
Indirect taxes	19,923	80,302	128,391
Financing (Note 11 (c) and (d))	16,915	68,180	98,560
Payroll charges	13,158	53,034	4,959
Other	4,054	16,345	105,402
	182,327	734,907	980,470

21 Provisions for Tax, Labor, Civil and Others Contingencies

The provisions recognized by the Company and its subsidiaries are related mainly to the discussions existing at the judicial and administrative levels and they are separated by probability of loss based on the assessment of management and its external legal advisors as follows:

Probable Obligations – Obligations in which there is a legal obligation (or not) as a consequence of a past event and for which an outflow of funds for their settlement is probable and which can be reliably estimated. For these proceedings, the Company recognized an accounting provision and presents it in a note to the financial statements, as shown in the table below:

	December 31, 2019			December 31, 2018
	Tax, labor and civil contingencies (b)	Agreements (a)	Total	Total (Restated)
In R$				
Current liabilities		396,486	396,486	621,509
Non-current liabilities	722,468	3,229,835	3,952,303	3,150,570
In US$				
Current liabilities		98,367	98,367	
Non-current liabilities	179,241	801,309	980,550	

In thousands of reais and U.S. dollars, unless otherwise stated

(a) Agreements – they comprise both the agreements that have already been negotiated with the many countries and government entities and the provisions to cover the agreements that are still being negotiated as a result of the Lava Jato Operation whose amounts were determined based on the best estimate of management and the external advisors involved in Brazil and abroad.

(b) Tax, labor and civil contingencies are:

	US$	R$
Tax (i)	77,339	311,732
Labor (ii)	89,247	359,726
Civil	43,247	174,317
	209,833	845,775
(-) Judicial deposits	(30,592)	(123,307)
December 31, 2019	179,241	722,468
December 31, 2018		316,879

(i) Tax – Peru's tax authorities have been inspecting the companies Odebrecht Perú Ingeniería y Construcción SAC, Constructora Norberto Odebrecth S.A. - Sucursal Peru and Consórcio Constructor Ductos Del Sur with respect to income taxes and sales taxes for the period from 2010 to 2014. In accordance with the estimate made by the Company's Legal Department, an estimate for provision was considered to cover these legal proceedings and on December 31, 2019, it is recorded in the amount of R$ 245,913 – US$ 61,010.

(ii) Labor - There are many labor claims filed against OEC and its subsidiaries, including consortiums, and each concessionaire is responsible for the equivalent to its part quota. There are also claims in which OEC and its subsidiaries appear as jointly liable, in addition to claims involving former expatriated employees. The proceedings that are in the prejudgment phase ("no decision awarded") and/or "with a favorable decision to the plaintiff" pending judgment of appeals by higher courts are reflected as possible losses.

<u>Possible Obligations</u> – Obligations in which it is more probable that there will not be an outflow of resources to settle the obligations since it has not yet been confirmed whether or not the Company actually has a present obligation that can lead to an outflow of resources. For these proceedings the Company does not recognize an accounting provision but presents it in a note to the financial statements, as shown in the table below, and the amounts that cannot be reliably estimated are not presented.

		December 31, 2019	December 31, 2018
	US$		R$
Tax	1,654,925	6,670,505	5,246,441
Labor	93,597	377,261	356,802
Civil	973,630	3,924,413	5,752,013
Total provision for contingencies	2,722,152	10,972,179	11,355,256

(iii) Tax

- Brazil

On October 17, 2018, CNO was assessed with respect to alleged income tax and social contribution and income tax withheld at source debts amounting to R$ 3,850,187 – US$ 955,215 related to the disallowance by the Federal Revenue Service of the expenses incurred by CNO's branches abroad, the undue nature of which was proved in the reports of employees and in the leniency agreement signed by Odebrecht. Despite the nature of the expenses incurred abroad, the charges that are being made have no legal grounds since they conflict with applicable legislation on the calculation of profit abroad.

Furthermore, there was also a mistake in the calculation of the amount due, generating a meaningful difference (of approximately R$ 700,000 – US$ 173,667) in the determination of the tax. In view of the technical mistakes made by the tax authorities upon the issue of the assessment notice, the probability of success at the administrative level is considered possible.

Additionally on December 21, 2017, CNO was served with a tax deficiency notice amounting to R$ 362,525 - US$ 89,941 for the collection of Income Tax Withheld at Source related to alleged payments without cause made by the branches of CNO abroad over the course of 2012, the undue nature of which was evidenced in the reports of employees and the leniency agreement of Odebrecht. The Company filed a motion to deny, which was deemed groundless on August 14, 2018, and a Spontaneous Appeal was lodged against the decision. On September 17, 2019, the appeal started to be judged and, at the time, the remand of the records in diligence was determined for the analysis of calculation errors in the assessment, which is still pending a summons.

- México

Tax proceeding arising from the inspections by the "Servicio de Administración Tributaria" (SAT) of CNO Mexico Branch related to 2014 and 2015 in the total approximate amount of R$ 712,476 – US$ 176,762 for both periods. After the completion of the inspection procedures, which are currently in the administrative litigation phase, the Company filed a "demanda de nulidad" related to the inspection of 2015 with the Federal Administrative Court of Justice (TFJA) and it is expected to file another one related to 2014 as soon as the TFJA resumes its activities, which are suspended as a result of the COVID-19 pandemic. The Company presented documents that challenge the assessment – particularly Value-Added Tax (IVA) and Income Tax (IR) on remittances by the parent company that are considered income and it claims that the assessment by SAT was extemporaneous since Article 50 of the Tax Code of the Mexican Federation determines a period of six months to notify the taxpayer of inconsistencies in the determination of taxes. The first "demanda de nulidad" has not yet been analyzed by TFJA and soon after the resumption of the TFJA's activities, the same procedural measure will be taken for the declaration of nullity in the assessment related to 2014.

(iv) Civil

- Brazil

CNO, OECI and CBPO were sued in the sphere of class actions (that is, public civil actions, administrative improbity actions and citizen lawsuits) filed by the Federal Public Prosecution Office and/or by citizens whose subject matter are indemnity claims for alleged damages caused to the public administration and the application of penalties provided for in the laws that regulate the above mentioned actions.

Among these actions, considering the amounts involved, are administrative improbity actions filed (i) by the São Paulo State Public Prosecution Office related to contracts for the performance of Line 5 of the São Paulo Metro, amounting to R$ 1,407,866 – US$ 349,286 , and of urban cleaning services and (ii) by the Rio de Janeiro State Public Prosecution Office related to the contract for the performance of the construction works of Line 4 of the Rio de Janeiro Metro, amounting to R$ 454,759 – US$ 112,824. These actions were duly challenged by Company's subsidiaries and are in progress in court.

The OEC Group companies are parties to arbitration proceedings that are in progress and involve contingencies to be received and paid, of which some are still at an incipient stage, awaiting the establishment of the Arbitration Court and/or the completion of negotiations that allow for the settlement of the litigations. Due to the very nature of these proceedings and the stage they are at, the claims contained in them are clearly controversial, arising from obligations assumed in contracts entered into by the OEC Group companies with third party companies and they depend on decisions of arbitration courts to determine responsibilities and, above all, determine the final amounts that must be paid by the parties, which, in most cases, depend on the performance of technical and complex expert tests that involve the fields of engineering, accounting and economics.

The Company contracted law firms whose specialization/recognition is well known to represent its interests in these disputes. Based on the current status and peculiarities of these proceedings, the Company estimates contingencies to be paid in the amount of R$ 741,813 – US$ 184,041 and contingencies to be received in the amount of R$ 327,023 – US$ 81,133, and the expectation of realization for all of them is considered possible, which could lead to a final contingency amount payable of R$ 414,790 – US$ 102,908.

- Venezuela

The Company's indirect subsidiary, CNO Sucursal Venezuela, is a respondent in Venezuela in a proceeding filed by CAMETRO with respect to Metro Caracas – Viviendas Mariche relating to the execution of a guarantee on advances received by the Company that have not been amortized, in addition to the alleged non-performance of a contract, whose exposure to loss is estimated at R$ 154,400 - US$ 38,306. The proceeding is currently in progress in the lower court.

In thousands of reais and U.S. dollars, unless otherwise stated

22 Leases

Contract	Currency	Annual discount rate	December 31, 2019		December 31, 2018
			US$	R$	
Real estate property lease	R$ / US$	19.50%	37,467	151,018	
Machinery and equipment lease	R$	19.50%	205	828	
Information technology equipment lease	R$	19.50%	37	150	
			37,709	151,996	
		Current liabilities	5,265	21,223	
		Non-current liabilities	32,444	130,773	

In thousands of reais and U.S. dollars, unless otherwise stated

The balance of leases classified as non-current liabilities mature as follows:

	December 31, 2019	
	US$	R$
2021	2,015	8,121
2022	4,236	17,075
2023	8,448	34,050
2024 and thereafter	17,745	71,527
	32,444	130,773

23 Other Liabilities – current and non-current

On December 31, 2019, the balances of other current liabilities are of different natures and dispersed and they consist mainly of contractual provisions related to discussions that are in progress with subcontractors, consortium companies and customers with respect to projects in Brazil and abroad in the amount of R$ 432,598 – US$ 107,326 (December 31, 2018 – R$399,813).

On December 31, 2019, the balances of other non-current liabilities are of different natures and dispersed, and the main ones are: i) contractual provisions related to discussions that are in progress with a customer with respect to projects in Brazil with the Company amounting to R$ 336,169 – US$ 83,402 (December 31, 2018 – R$ 316,447); and ii) net capital deficiency related to CNOC's investment, as mentioned in Note 1 (e), amounting to R$ 175,393 – US$ 43,514.

24 Equity (net capital deficiency)

(a) Capital

On December 31, 2019, the Company's capital of R$ 9,771,631 – US$ 2,424,301 (December 31, 2018 –
R$ 8,625,625), is fully subscribed and paid-up entirely by Brazilian corporations and comprised 13,091,490,404 (December 31, 2018 – 8,572,145,163), registered common shares with no par value.

On March 29, 2019, an increase in the Company's capital by R$ 7,212 – US$ 1,789 was approved with the issue of 16,770,136 new registered common shares with no par value, fully subscribed and paid up by ODB by means of the contribution of a credit held with Supervia Concessionária de Transportes Ferroviários S.A. ("SUPERVIA").

On April 30, 2019, an increase in the Company's capital by R$ 961,408 – US$ 238,521 was approved with the issue of 3,845,631,165 new registered common shares with no par value, fully subscribed and paid up by ODB by means of the capitalization of the advance for future capital increase.

On May 15, 2019, an increase in the Company's capital by R$ 314 – US$ 78 was approved with the issue of 1,121,951 new registered common shares with no par value, fully subscribed and paid up by ODB by means of the contribution of a credit held with SUPERVIA.

On May 30, 2019, an increase in the Company's capital by R$ 177,072 – US$ 43,931 was approved with the issue of 655,821,989 new registered common shares with no par value, fully subscribed and paid up by ODB by means of the contribution of a credit held with ODB.

(b) Carrying Value Adjustments

This account was established by Law No. 11,638/07 for the purposes of recording the amounts in equity that have not yet been recorded in profit or loss. The effects of these amounts on profit or loss will be recognized upon their effective realization. The changes in this account in the years ended December 31, 2019 and 2018 were as follows:

	Year Ended December 31		
	2019		2018
	US$		R$
			(Restated)
At the beginning of the year	274,477	1,106,334	273,174
Carrying value adjustments in investees (i)	(21,223)	(85,544)	(224,879)
Reflection effect from foreing investees of monetary restatement (ii)	19,480	78,520	(110,188)
Foreign exchange variation on foreign investments (iii)	166,009	669,132	1,168,227
At the end of the year	438,743	1,768,442	1,106,334

(i) Refers, basically, to variations on hedges contracted by the indirect investee Braskem.

(ii) This balance refers to monetary adjustment in Venezuela and Argentina arising from the effects of inflation in that country.

(iii) Refers to the conversion of the balances of foreign investees into the Company's functional currency.

(c) Loss per Share

	Year Ended December 31		
	2019		2018
	US$		R$
			(Restated)
Loss for the year attributable to the Company's stockholders	(3,910,534)	(15,762,190)	(2,805,233)
Weighted average number of shares, per class (In thousands)			
Common shares	11,553,199	11,553,199	8,572,145
Earnings per share			
Common shares	(0.338)	(1.364)	(0.327)

In thousands of reais and U.S. dollars, unless otherwise stated

25 Service and Sales Revenue

	Year Ended December 31		
	2019		2018
	US$		R$
			(Restated)
Services revenues			
Domestic market	210,029	846,565	1,428,579
Foreign market	1,082,572	4,363,522	5,846,339
	1,292,601	5,210,087	7,274,918
Sales revenues			
Domestic market	2,093	8,435	9,010
Foreign market	4,029	16,241	14,782
	6,122	24,676	23,792
Taxes and contributions on services and sales	(19,009)	(76,618)	(191,420)
Net services and sales revenues	1,279,714	5,158,145	7,107,290

26 Expenses by Nature

		Year Ended December 31				
		2019				2018
						(Restated)
	Note	Cost of services rendered	General and administrative, and selling expenses	Total R$	Total US$	Total
Raw materials and consumables		(633,955)	(9,828)	(643,783)	(159,720)	(863,716)
Personnel expenses		(997,068)	(698,420)	(1,695,488)	(420,644)	(2,651,846)
Outsourced services	26.1	(1,933,918)	(43,764)	(1,977,682)	(490,655)	(3,111,146)
Depreciation and amortization		(76,524)	(72,178)	(148,702)	(36,892)	(207,262)
Provision for contingencies		(2,365)	(365,098)	(367,463)	(91,166)	(9,230)
Reversion (Provision) on doubtful accounts		(43,692)	(168,257)	(211,949)	(52,584)	44,441
Amortization of right of use		(1,890)	(15,117)	(17,007)	(4,219)	
Administrative expenses		(159,355)	(422,264)	(581,619)	(144,297)	(311,165)
Other, net		(25,755)	(100,813)	(126,568)	(31,401)	492
		(3,874,522)	(1,895,739)	(5,770,261)	(1,431,578)	(7,109,432)

(i) This is composed mainly of the provision for tax risk related to CNO Suc. Peru and OPIC, as mentioned in Note 21 (b).

26.1 Outsourced services

	Year Ended December 31		
	2019		2018
	US$		R$
			(Restated)
Subcontractors	(431,473)	(1,739,137)	(2,664,983)
Rental and maintenance of equipment	(472)	(1,904)	(64,914)
Cleaning and surveillance	(7,086)	(28,560)	(38,623)
Transportation	(5,298)	(21,354)	(32,956)
Audit and advisory services	(45,785)	(184,545)	(196,479)
Computers and technology	(368)	(1,485)	(44,778)
Other	(173)	(697)	(68,413)
	(490,655)	(1,977,682)	(3,111,146)

In thousands of reais and U.S. dollars, unless otherwise stated

27 Financial Result, Net

	Year Ended December 31		
		2019	2018
	US$		R$
			(Restated)
Income from financial investments	7,024	28,310	32,267
Foreign exchange variation expenses	(117,544)	(473,783)	(1,071,321)
Financial charges on debts	(5,510)	(22,211)	(83,100)
Lease interest (i)	(5,635)	(22,713)	
Provision for guarantees (ii)	(596,313)	(2,403,559)	
Bank comissions	(13,531)	(54,539)	(59,281)
Allowance for expected losses from related parties (iii)	(2,024,979)	(8,162,081)	
Adjustement Value Present (iv)	(380,672)	(1,534,376)	
Others, net (v) (vi)	(144,317)	(581,697)	(12,043)
	(3,281,477)	(13,226,649)	(1,193,478)

(i) This refers to the recognition of interest on lease operations that are accounted for in accordance with CPC 06 (R2) (IFRS 16), which came into effect on January 1, 2019, as mentioned in Note 2.5 (a).

(ii) This refers to the provision of guarantees, as described in Note 1 (b).

(iii) This refers to the impairment loss recorded on intercompany credits with the ODB Group companies that are under judicial recovery in the amount of R$ 8,102,420 – US$ 2,010,177 (as mentioned in Note 12 (c)). Additionally, a provision for expected losses on the credits of CNOC, amounting to R$ 59,661 – US$ 14,802, was recorded in this account.

(iv) This account includes mainly the adjustment to present value on the credits maintained by the direct and indirect subsidiaries of the Company, as mentioned in Note 12 (a) and 12 (b) in the total amount of R$ 1,516,182 – US$ 376,158.

(v) This account includes losses on financial instruments amounting to R$ 227,525 – US$ 56,448 , as mentioned in Note 7.

(vi) This account also includes financial losses on the sale of receivables that are mostly in Angola, amounting to R$ 500,290 – US$ 124,120.

28 Income Tax and Social Contribution

	Year Ended December 31		
		2019	2018
			(Restated)
	US$		R$
Current income tax	(5,801)	(23,383)	(22,456)
Current social contribution	(2,088)	(8,418)	(8,084)
Foreign income tax (branches and subsidiaries) - current	(120,702)	(486,512)	(782,353)
	(128,591)	(518,313)	(812,893)
Deferred income tax	41,629	167,794	(67,739)
Deferred social contribution	14,986	60,406	(23,386)
Foreign income tax (branches and subsidiaries) - deferred	6,172	24,874	(8,509)
	62,787	253,074	(99,634)

In thousands of reais and U.S. dollars, unless otherwise stated

(a) Income Tax in Brazil and Foreign

In the year ended December 31, 2019, the income tax expense is represented mainly by the taxes generated by the operations of the Company in Brazil R$ 196,399 – US$ 48,726 (December 31, 2018 - R$ (122,665)), Angola R$ 432,042 – US$ 107,188 (December 31, 2018 - R$ 599,369), and Panama R$ 68,957 – US$ 17,108 (December 31, 2018 – R$ 120,067).

29 Collaterals

The collaterals offered by the Company are stated as presented below:

Type of guarantee	Type		December 31, 2019	December 31, 2018
		US$		R$
Corporate guarantee	Bonds OFL (note 1(b))	3,144,994	12,676,527	11,418,451
	Odebrecht Group Companies (i)	196,321	791,310	
	FINAME OSP	1,564	6,305	11,806
	Loans	162,438	654,740	
	Lease	3,549	14,303	
Bank guarantee	Appeal Bond	25,708	103,623	13,882
	Performance Bond	59,452	239,634	29,059
	Bid Bond			36,864
Guarantee insurance	Advance Payment Bond	1,691,373	6,817,417	7,313,516
	Performance Bond	2,689,625	10,841,070	12,457,413
	Performance And Payment Bond	319,636	1,288,355	1,238,555
	Maintenance Bond	413,173	1,665,378	1,634,296
	Other	136,628	550,705	895,216
		8,844,461	35,649,367	35,049,058

In the process of obtaining and performing contracts in Brazil and abroad, the Company and its subsidiaries use Surety Bonds obtained with the support of Odebrecht Administradora e Corretora de Seguros Ltda. ("OCS"), which is part of the Odebrecht Group, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market.

(i) On May 07, 2012, CNO, Construtora OAS Ltda. – under judicial recovery ("OAS") and UTC Engenharia S.A. – under judicial recovery ("UTC") entered into an Engineering, Procurement and Construction ("EPC") Contract with Petrobras Netherlands BV – PNBV ("PNBV") for the conversion of the hulls of four (4) Very Large Crude Carriers ("VLCCs") into Floating Production Storage and Offloading ("FPSO") units.

The original amount of the EPC Contract was estimated at US$ 1,963,207.

On May 7, 2012, CNO, OAS and UTC entered into an Assignment Agreement with PNBV by means of which they assigned their contract position to Enseada since October 4, 2019 ("Enseada"), and remained, before PNBV, jointly responsible for the contractual obligations under the EPC contract.

The EPC contract provides for a limitation of responsibility of ten percent (10%) of the amount of the contract, duly adjusted in accordance with amendments and by inflation.The limitation of responsibility of the parties does not apply in the cases of willful misconduct, gross negligence, fraud, arrears fines or violation of environmental, tax and labor/social security laws.
During the performance of the EPC Contract, many disputes arose between Enseada and PNBV related to compliance with contractual obligations by both parties.

In thousands of reais and U.S. dollars, unless otherwise stated

In view of these conflicts, on July 11, 2016, Enseada and PNBV entered into an Agreement on Certain Matters in which the return of the custody of the four hulls to PNBV was established, as well as the waiver, by PNBV, of the right to claim for any damage arising from the pending/incomplete services, damage/arrears fines and damage/fines for non-compliance with local content.

The Agreement on Certain Matters also establishes that Enseada and PNBV will make the best efforts so as to obtain an agreement for the differences that arose from the EPC Contract. The instrument also establishes that any rights of PNBV will only be due and enforceable when there is a final solution for all disputes between Enseada and PNBV, whether due to negotiation/agreement, arbitration or other form of settlement of disputes.

In March 2019, PNBV showed an interest in starting an arbitration proceeding.

Due to the incipient nature of the arbitration proceeding, which is still pending the establishment of an arbitration court, the signing of the mission minutes and the presentation of Enseada's reply and opening allegations, it is not possible to estimate the amounts involved in the guarantee offered by CNO.

30 Insurance Coverage (Unaudited)

OEC has insurance policies that cover both local and international operations, including engineering risks, general civil liability, Directors & Officers (D&O), Errors and Omissions (E&O), national and international transportation, operational risks, among others. The Company believes that its Insurance Program is consistent with the standards applied to the highest risk management indexes of multinational construction companies that operate worldwide.

The Maximum Indemnity Limits, by event and/or in the aggregate, to cover any claims, in view of the nature of the Company's activity, benchmarks and studies of maximum estimated loss scenarios conducted by specialists, are:

		December 31, 2019	December 31, 2018
	US$		R$
Brazil	2,297,919	9,262,223	12,648,880
Abroad	9,052,846	36,489,305	51,764,236
	11,350,765	45,751,528	64,413,116

*Security lines considered for Assets / Projects – Engineering Risks, Operational Risks, Sundry Risks Equipment, Transport and Vehicle Fleet.

**Security lines considered for Liability Insurance – General Civil Liability, Professional Civil Liability, Environmental Civil Liability, Civil Liability Construction Works, and D&O and Life Insurance.

31 Subsequent events

(a) Economic and financial effects of COVID-19 on the Financial Statements

Since the beginning of 2020, the global scenario has been suffering with the outbreak of a new virus called COVID-19, which is spreading through many countries, causing significant social and economic effects. The actions of governments include many social restrictions, including the closing of schools and commerce, and encourages working from home, among other actions, in order to reduce public gatherings and avoid the collapse of hospital services.

The Company is in the process of assessing the economic and financial effects of COVID-19 on its operations and financial position, as well as on the commercial relationship with customers and suppliers and on the well-being of partners and employees, and it does not envision, until the date of the approval of these financial statements, any effect that may prevent the Company from continuing as a going concern, except for those already mentioned in Note 1 (g).

Regardless of the impacts mentioned above, the Company adopted many measures necessary to ensure the safety of its employees, such as: i) establishment of the Crisis Committee for the purpose of taking actions and monitoring the agendas of the Company's direct and indirect employees in the Personnel and Finance departments; ii) adoption, as from March 14, 2020, of the practice of working from home for all administrative staff; iii) mapping and performance of many health, personnel/labor, market, contract management, social and financial actions; iv) definition and implementation of procedures for monitoring the cases detected between employees and third parties/subcontractors; among others.

(b) Approval of the Judicial Recovery of ODB and companies of the economic group

As mentioned in Notes 1 (b) and 1 (c), on June 17, 2019, ODB and 19 other companies of its economic group, excluding the Company and its subsidiaries, formalized with the courts of São Paulo their petition for judicial recovery, but the respective recovery plans had not been approved by December 31, 2019. On April 22, 2020, ODB and 11 companies of its economic group had their judicial recovery plans approved by the General Creditors' Meeting, so there are therefore 8 remaining companies, including companies that have balances with the Company and its subsidiaries, that will have their economic plans approved within 60 days.

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