LUXEMBOURG LISTING PARTICULARS

U.S.$550,000,000
Odebrecht Finance Ltd.

(*incorporated with limited liability in the Cayman Islands*)

4.375% Notes due 2025

Unconditionally and Irrevocably Guaranteed by

Construtora Norberto Odebrecht S.A.

(*incorporated in the Federative Republic of Brazil*)

Odebrecht Finance Ltd., or the issuer, is offering U.S.$550,000,000 aggregate principal amount of its 4.375% notes due 2025. The notes will mature on April 25, 2025. Interest on the notes will accrue from April 25, 2013 and will be payable on April 25 and October 25 of each year, commencing on October 25, 2013

The issuer or Construtora Norberto Odebrecht S.A., or CNO, may, at its option, redeem the notes, in whole or in part, at any time, by paying 100% of the principal amount of the notes to be redeemed plus the applicable "make whole" amount and accrued interest and additional amounts, if any. The notes may also be redeemed, in whole but not in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, at any time upon the occurrence of specified events relating to Cayman Islands or Brazilian tax law, as set forth in this offering memorandum. See "Terms and Conditions—Redemption and Repurchase."

If a specified Change of Control event as described herein occurs, unless the issuer has exercised its option to redeem the notes, CNO will be required to offer to purchase the notes at the price described in this offering memorandum. See "Terms and Conditions—Covenants—Repurchase of Notes upon a Change of Control."

CNO has unconditionally and irrevocably guaranteed the full and punctual payment of principal, interest and all other amounts that may become due and payable in respect of the notes. The guaranty will rank equally with the other unsecured, unsubordinated indebtedness of CNO. The issuer is a wholly-owned subsidiary of Odebrecht S.A., CNO's parent company, and is not a subsidiary of CNO. CNO is a wholly-owned subsidiary of Odebrecht S.A.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit to trading the notes on the Euro MTF Market of that exchange. See "Listing and General Information."

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

Price: 98.851% plus accrued interest from April 25, 2013

The notes (including the guaranty) have not been registered under the U.S. Securities Act of 1933, as amended, or the Securities Act. The notes may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A and to certain non-U.S. persons in offshore transactions in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For more information about restrictions on transfer of the notes, see "Transfer Restrictions."

Delivery of the notes was made to investors in book-entry form through The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, *société anonyme*, on April 25, 2013.

Joint Bookrunners and Joint Lead Managers

BTG Pactual	**Credit Agricole CIB**	**Deutsche Bank Securities**	**Santander**	**Scotiabank**

The date of this offering memorandum is June 3, 2013

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Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Construtora Norberto Odebrecht S.A.," "CNO," "our company," "we," "our," "ours," "us" or similar terms refer to Construtora Norberto Odebrecht S.A., and all references to "Odebrecht Finance" or the "issuer" refer to Odebrecht Finance Ltd., the issuer of the notes and a wholly-owned subsidiary of Odebrecht S.A., or Odebrecht. The term "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" refers to the federal government of Brazil.

We, having made all reasonable inquiries, confirm that the information contained in this offering memorandum with regard to us is true and accurate in all material respects, that the opinions and intentions expressed in this offering memorandum are honestly held, and that there are no other facts the omission of which would make this offering memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. We accept responsibility accordingly.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any note offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that there has been no change in our affairs or that the information set forth in this offering memorandum is correct as of any date subsequent to the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We, as well as Banco BTG Pactual S.A. – Cayman Branch, Credit Agricole Securities (USA) Inc., Deutsche Bank Securities Inc., Santander Investment Securities Inc. and Scotia Capital (USA) Inc., or the initial purchasers, reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and (2) obtain any required consent, approval or permission for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers have any responsibility therefor. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state

securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

The offering is being made in reliance upon an exemption from registration under the Securities Act, for an offer and sale of securities that does not involve a public offering. The notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements set forth in this offering memorandum under the caption "Transfer Restrictions." You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum may only be used for the purposes for which it has been prepared. The initial purchasers are not making any representation or warranty as to the accuracy or completeness of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the notes unless at the time of invitation, the issuer is listed on the Cayman Islands stock exchange.

The Luxembourg Stock Exchange takes no responsibility for the contents of this offering memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum. This offering memorandum constitutes a prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

See "Risk Factors" for a description of certain factors relating to an investment in the notes, including information about our business. None of us, the initial purchasers or any of our or their representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

Notwithstanding anything in this document to the contrary, except as reasonably necessary to comply with applicable securities laws, you (and each of your employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of this offering and all materials of any kind (including opinions or other tax analyses) that are provided to you relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of this offering.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT, OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Additional Information

While any notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of notes the information required pursuant to Rule 144A(d)(4)(i) under the Securities Act, during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit to trading the notes on the Euro MTF market. See "Listing and General Information." We will comply with any undertakings that we give from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to the Luxembourg Stock Exchange all such information required in connection with the listing of the notes.

ENFORCEMENT OF CIVIL LIABILITIES

Cayman Islands

Odebrecht Finance is an exempted limited liability company incorporated under the laws of the Cayman Islands. Odebrecht Finance has been incorporated in the Cayman Islands because of certain benefits associated with being a Cayman Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of exchange control or currency restrictions and the availability of professional and support services.

However, the Cayman Islands has a less developed body of securities laws as compared to the United States and certain other jurisdictions and provides significantly lesser protections for investors. All of Odebrecht Finance's directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of Odebrecht Finance's or such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon Odebrecht Finance or such persons or to enforce against them, judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

There is no statutory enforcement in the Cayman Islands of judgments obtained in England, New York or Brazil. However, the courts of the Cayman Islands will recognize a foreign judgment as the basis for a claim at common law in the Cayman Islands by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment is rendered by a foreign court or competent jurisdiction, imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, is final, is not in respect of taxes, a fine or a penalty and was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Brazil

Brazilian law provides that a final conclusive judgment of non-Brazilian courts for the payment of money rendered thereby may be enforced in Brazil, subject to certain requirements described below. A judgment against either us or the issuer obtained outside Brazil would be enforceable in Brazil against us or the issuer without reconsideration of the merits, upon confirmation of that judgment by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*), or STJ. That confirmation, generally, will occur if the foreign judgment:

- fulfills all formalities required for our enforceability under the laws of the non-Brazilian courts;
- is issued by a competent court after proper service of process on the parties, which service must comply with Brazilian law if made in Brazil, or after sufficient evidence of the parties' absence has been given, as required by applicable law;
- is not subject to appeal;
- is authenticated by the Brazilian consulate in the location of the non-Brazilian court;
- is translated into Portuguese by a certified translator; and
- does not violate Brazilian public policy, good morals or national sovereignty.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above could be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the notes.

We have also been advised that civil actions may be brought before Brazilian courts in connection with this offering memorandum based solely on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (*provided* that provisions of the federal securities laws of the United States do not contravene Brazilian public policy, good morals or national sovereignty). We have been

further advised that a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of the litigation in Brazil and who does not own real property in Brazil must post a bond to guaranty the payment of the defendant's legal fees and court expenses, except in case of collection claims based on an instrument (which do not include the notes issued hereunder) that may be enforced in Brazilian courts without the previous review of its merit (*título executivo extrajudicial*) or counterclaims as established under Article 836 of the Brazilian Code of Civil Procedure.

The confirmation process may be time consuming and may also give rise to difficulties in enforcing the foreign judgment in Brazil. Accordingly, we cannot assure you that confirmation would be obtained, that the confirmation process would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to the "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil. All references to "U.S. dollars," "dollars" or "U.S.$" are to U.S. dollars.

Solely for the convenience of the reader, we have translated some amounts included in "Summary—Summary Financial and Other Information of CNO," "Capitalization," "Selected Financial and Other Information of CNO" and elsewhere in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank, at December 31, 2012 of R$2.0435 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date. See "Exchange Rates."

Financial Statements

CNO Financial Statements

We maintain our books and records in *reais.*

We prepare our consolidated financial statements in accordance with accounting practices adopted in Brazil, or Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Brazilian Law No. 11,638/07 and by Provisional Measure No. 449/08, which we refer to collectively as the Brazilian Corporate Law;

- the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM;

- the accounting standards issued by the Brazilian Institute of Independent Auditors (*Instituto dos Auditores Independentes do Brasil*), or IBRACON, and the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or the CFC; and

- for our (1) audited consolidated financial statements at and for the years ended December 31, 2012 and 2011 and (2) audited consolidated financial statements at and for the years ended December 31, 2011 and 2010, the accounting standards issued by the Brazilian Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis - CPC*), or the CPC, applicable to financial statements at and for the fiscal year ended December 31, 2010 and onwards, which we adopted.

Our financial information contained in this offering memorandum has been derived from our records and financial statements, and includes our:

- consolidated financial statements at and for the years ended December 31, 2012 and 2011, and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors, as stated in their report included elsewhere in this offering memorandum; and

- consolidated financial statements at and for the years ended December 31, 2011 and 2010, and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors, as stated in their report included elsewhere in this offering memorandum.

Brazilian GAAP differs in certain significant respects from accounting practices adopted in the United States, or U.S. GAAP, and IFRS. Such differences might be material to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP. For a discussion of certain differences between Brazilian GAAP and U.S. GAAP, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP." We have made no attempt to identify or quantify the impact of those differences. In making an

investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between Brazilian GAAP and U.S. GAAP or IFRS, and how those differences might affect the financial information included herein.

Odebrecht Finance Ltd. Financial Statements

Odebrecht Finance maintains its books and records in U.S. dollars. The financial information contained in this offering memorandum includes its:

- financial statements at and for the years ended December 31, 2012 and 2011, prepared in accordance with Brazilian GAAP, which have been audited by its independent auditors, as stated in their report included elsewhere in this offering memorandum; and

- financial statements at and for the years ended December 31, 2011 and 2010, prepared in accordance with Brazilian GAAP, which have been audited by its independent auditors, as stated in their report included elsewhere in this offering memorandum.

The audit reports included in the financial statements at and for the years ended December 31, 2012 and 2011 and at and for the years ended December 31, 2011 and 2010 contain explanatory paragraphs regarding Odebrecht Finance's deficit in stockholders' equity and negative working capital requiring additional long-term funds to cover its commitments, which are currently guaranteed by Odebrecht. In addition, we currently guarantee all of Odebrecht Finance's debt with third parties, including the notes.

Rounding

We have made rounding adjustments to reach some of the figures included in this offering memorandum. As a result, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Market Share and Other Information

We make statements in this offering memorandum about our market share in the construction industry in Brazil and elsewhere. We have made these statements on the basis of information obtained from third party sources that we believe are reliable. We are responsible for the correct extraction and reproduction of the information from third party sources that we use in this offering memorandum. We derive information regarding our competitive position in the construction industry and other information from *Valor Econômico*, a Brazilian business newspaper, McGraw-Hill Construction Engineering News-Record, or ENR, a leading construction industry web site, and other third party sources and reports that we believe are reasonably reliable. Although we have no reason to believe that any of this information is inaccurate in any material respect, neither we nor the initial purchasers have independently verified the construction capacity, market share, market size or similar data provided by third parties or derived from industry or general publications.

In this offering memorandum, all references to:

- "km" are to kilometers; and

- "MW" are to megawatts. Megawatts are units of power with one megawatt being equal to one million watts.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar expressions are forward-looking statements. Although we believe that these statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us.

Our forward-looking statements may be influenced by factors, including the following:

- general economic, political and business conditions in the markets in which we operate, both within Brazil and internationally, including the level of spending for infrastructure projects of the type that we perform and the ability of our clients to timely pay any amounts that they owe to us;
- negotiations of claims with our clients of cost and schedule variances and change orders on major projects;
- non-performance, default or bankruptcy of our clients, joint-venture partners, key suppliers, subcontractors or financing sources;
- performance of fixed-price and other projects, where a failure to meet schedules, cost estimates or performance targets on a timely basis could result in reduced profit margins or losses;
- interest rate fluctuations, inflation and devaluation or appreciation of the *real* in relation to the U.S. dollar (or other currencies in which we receive our revenue);
- the outcome of pending or threatened litigation or arbitration proceedings;
- competition;
- our ability to obtain financing upon reasonable interest rates and terms, including the level of financing made available to us by the Brazilian government and by multilateral financial institutions for projects that we undertake;
- adverse financial developments that could reduce our available cash or lines of credit, or our inability to provide adequate cash collateral for letters of credit or satisfy any other bonding requirements from our customers;
- any downgrade in our credit ratings;
- volatility in the surety bond market relating to the type of projects undertaken by us;
- government regulation in certain of the countries in which we operate, including regulations that encourage or mandate the hiring of local contractors or that require foreign contractors to employ specific numbers of citizens of, or purchase specific quantities of supplies from, a particular jurisdiction;
- compliance with job-safety requirements and environmental laws and regulations;
- unsettled political conditions, consequences of war or other armed conflict, civil unrest, strikes, currency controls and governmental actions in certain of the countries and regions in which we operate, including Angola, Mozambique, Peru, Venezuela and certain other countries in the Middle East, such as the United Arab Emirates;

- severe weather, natural disasters or other *force majeure* events that may adversely impact our business and that could cause us to evacuate personnel, curtail our services, reduce productivity or fail to perform our services in accordance with contract schedules; and

- other factors identified or discussed under "Risk Factors."

Our forward-looking statements are not guaranties of future performance, and the actual results or developments may differ materially from the expectations expressed in the forward-looking statements. As for the forward-looking statements that relate to future financial results and other projections, actual results will be different due to the inherent uncertainty of estimates, forecasts and projections. Because of these uncertainties, potential investors should not rely on these forward-looking statements.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

EXCHANGE RATES

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

Since 1999, the Central Bank has allowed the U.S. dollar-*real* exchange rate to float freely, and, since then, the U.S. dollar-*real* exchange rate has fluctuated considerably.

In the past, the Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to permit the *real* to float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially. Furthermore, Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See "Risk Factors—Risks Relating to Brazil—Exchange rate instability may adversely affect the Brazilian economy and the market price of our notes" and "Risk Factors—Risks Relating to Brazil—Brazilian exchange policy may adversely affect our ability to make remittances outside Brazil in respect of the guaranty."

The following tables set forth the exchange rate, expressed in *reais* per U.S. dollar (R$/U.S.$) for the periods indicated, as reported by the Central Bank. The information in the "Average" column represents the average of the exchange rates on the last day of each month during the periods presented.

Year ended	Low	High	Average	Period-end
2008	1.559	2.500	1.836	2.337
2009	1.702	2.422	1.999	1.741
2010	1.655	1.881	1.759	1.666
2011	1.535	1.902	1.675	1.876
2012	1.702	2.112	1.955	2.044

Source: Central Bank

Month ended	Low	High	Average	Period-end
January 2013	1.988	2.047	2.013	1.988
February 2013	1.973	1.957	1.973	1.975
March 2013	1.953	2.019	1.983	2.014
April 2012	1.974	2.024	2.002	2.002
May 2012 (through May 28)	2.003	2.062	2.027	2.062

Source: Central Bank

SUMMARY

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing, including "Risk Factors" and our financial statements. See "Presentation of Financial and Other Information" for information regarding our financial statements, exchange rates and other matters.

Overview

We are the largest engineering and construction company in Latin America as measured by 2011 gross revenues, according to ENR. We engage in the construction of large-scale infrastructure and other projects, including the construction of highways, railways, power plants, bridges, tunnels, subways, buildings, port facilities, dams, manufacturing and processing plants, as well as mining and industrial facilities. We provide a variety of integrated engineering, procurement and construction services to clients in a broad range of industries, both within Brazil and internationally. These capabilities enable us to provide clients, individually or as part of a consortium, with single-source, turnkey project responsibility for complex construction projects. We concentrate our construction activities on infrastructure projects, which include projects sponsored by the public and private sectors, as well as concession-based projects.

We undertake projects throughout Brazil, in other Latin American countries (including mainly Venezuela, Peru, Argentina, Panama, Colombia and the Dominican Republic), the United States, Portugal, the United Arab Emirates and certain countries in Africa (mainly Angola). We have participated in the construction of over 193.4 km of bridges, over 53,237 MW of hydroelectric power plants, over 294 km of tunnels, over 12,778 km of roads and over 162 km of subway lines. We reported gross service revenues of R$29,229.5 million (U.S.$14,303.6 million) and EBITDA of R$2,874.5 million (U.S.$1,406.6 million) during the year ended December 31, 2012.

We believe we are:

- Brazil's largest exporter of services with R$18,147.8 million (U.S.$8,880.7 million), or 62.1% of our gross service revenues in 2012, coming from outside Brazil;
- The largest contractor in Latin America, according to ENR, as measured by gross revenues in each region in 2011;
- The world's 13th largest international contractor, according to ENR, as measured by "gross revenues outside the home country" in 2011;
- The world's 24th largest global contractor, according to ENR, as measured by our gross revenues in 2011;
- The world's fourth largest international contractor in the water segment in 2011, according to ENR; and
- The 10th largest international contractor in the transportation segment in 2011, according to ENR.

Our Competitive Strengths

We believe that our main competitive strengths include the following:

Leadership Position

We are Latin America's largest engineering and construction company as measured by our gross revenues in 2011, according to ENR. Our geographic diversification, extensive operations and leading market share in Brazil enable us to capitalize on additional business opportunities as they arise. We are owned by the Odebrecht Group, which is the fourth largest Brazilian-owned private sector conglomerate based on 2011 sales and net income.

Holding 50.1% of its voting capital at December 31, 2012, the Odebrecht Group is also the controlling shareholder of Braskem S.A., or Braskem, the largest petrochemical company in Latin America, based on average annual production capacity in 2011, and the fifth largest Brazilian-controlled private sector industrial company based on sales in 2011.

Financial Strength

We believe that our financial performance has been consistent, enabling us to rely primarily on our cash flow from operations to invest in our business. Our EBITDA margins (which we define as EBITDA as a percentage of our net service revenues) for the years ended December 31, 2012 and 2011 were 10.0% and 10.7%, respectively. The sum of our cash and cash equivalents and financial investments totaled R$7,149.2 million (U.S.$3,498.5 million) and R$6,831.1 million (U.S.$3,342.8 million) at December 31, 2012 and 2011, respectively. We are focused on maintaining relatively strong financial and liquidity positions as compared to many of our competitors.

Diversification

We have expanded our business internationally in order to broaden our client base and diversify the risks inherent to a strong exposure to the Brazilian market, as well as to increase the share of our revenues denominated in dollars and other currencies. At December 31, 2012, we had 206 ongoing projects: Brazil (85); Angola (42); Venezuela (22); Peru (6); the Dominican Republic (8); Panama (8); Argentina (6); the United States (8); Portugal (1); Mozambique (3); Colombia (3); Mexico (2); Ecuador (6) and other (6).

The percentage of our gross service revenues derived from international projects has increased from approximately 30.0% in 1992 to 62.1% in the year ended December 31, 2012. We believe our diversification provides us with revenue growth opportunities, while reducing our exposure to one single market and related risks, including political and currency risks.

Strong and Diversified Backlog

We define backlog to include payments under contracts that we have signed for a particular project and for which an identified source of funding exists, but have not been recognized as revenue by us. At December 31, 2012, our backlog represented U.S.$33.7 billion, or more than two years of future services based on our performance of 2012. We expect to complete approximately 35% to 45% of our total backlog by the end of 2013. Our backlog includes a diversified portfolio of engineering and construction projects in various infrastructure sectors and different types of construction undertakings in numerous countries.

New contracts awarded and amendments to existing contracts entered into during the year ended December 31, 2012 had a total contract amount of U.S.$20,691.7 million, of which (1) U.S.$4,655.7 million is for new contracts and amendments to existing contracts located in Brazil and (2) U.S.$16,036.0 million is for new contracts and amendments to existing contracts located in countries outside Brazil. Listed below are certain new contracts and amendments to existing contracts, in each case, entered into during the year ended December 31, 2012.

In Brazil:

- Estaleiro Paraguaçu shipyard, State of Bahia (new contract) (U.S.$590.8 million);
- Petrobras Polyethylene Plant, State of Pernambuco (amendment) (U.S.$561.1 million);
- Metrô Rio Barra Consortium, State of Rio de Janeiro (amendment) (U.S.$557.2 million);
- Submarine Project, State of Rio de Janeiro (amendment) (U.S.$492.2 million);
- Transolympic Expressway, State of Rio de Janeiro (new contract) (U.S.$229.3 million);
- São Paulo Metro, Line V, State of São Paulo (new contract) (U.S.$200.6 million);

- Olympic Park, State of Rio de Janeiro (new contract) (U.S.$181.2 million); and
- Maracanã Stadium and its surrounding area, State of Rio de Janeiro (new contract) (U.S.$177.8 million).

In countries outside Brazil:

- El Diluvio, El Palmar irrigation, Venezuela (amendment) (U.S.$1,900.6 million);
- Ethylene XXI plant for Braskem, Mexico (amendment) (U.S.$1,182.5 million);
- Vale Moatize Mine, Mozambique (amendment) (U.S$787.8 million);
- Caracas Metro, Line 5, Venezuela (amendment) (U.S.$707.0 million);
- SONAREF-Project, Angola (new contract) (U.S.$540.0 million);
- Cinta Costera Highway, Panama (amendment) (U.S.$503.6 million);
- Caracas Metro, Line 3, Venezuela (amendment) (U.S.$374.3 million); and
- Pumping station, United Arab Emirates (new contract) (U.S.$362.3 million).

Experienced and Professional Management Team

Our management team has considerable industry experience and knowledge. We provide our management with ongoing training throughout their careers, and maintain a results-oriented corporate culture, characterized by clear vision and well-defined responsibilities. We have decentralized the negotiation and administration of each of our project contracts. An experienced on-site project manager is responsible for administering the implementation of each project contract in accordance with the project's budget. Our project managers and other on-site employees are compensated based upon meeting designated project milestones and financial targets, which motivate them to meet their project budgets. We believe that planned delegation and decentralized decision-making enable us to better understand and satisfy our clients' needs.

Our Strategy

We intend to focus on continuing to achieve steady growth and to build upon our competitive strengths in order to maintain and increase our leadership in Brazil and selected other international engineering and construction markets. The principal components of our strategy are:

Managing Political Risk

We have operated for more than two decades in many countries that have significant levels of political risk. We are currently active in numerous countries with political risk concerns, including Angola, Argentina, Brazil, Colombia, the Dominican Republic, Mozambique, Panama, Peru, Portugal, United Arab Emirates and Venezuela. We attribute our success in certain countries with significant levels of political risk to the following competitive strengths:

- In countries in which we operate with significant political risk concerns, such as certain Latin American countries and Angola, we generally bid on and perform projects that are funded under Brazilian trade credit or multilateral agency credit facilities. The Brazilian government offers export financing for construction and engineering services related to projects undertaken in many of these countries, which we rely upon as an important source of funding for our projects located in these countries, together with support from multilateral financial institutions, including Corporación Andina de Fomento, or CAF, and the Inter-American Development Bank, or IDB. Our management believes that the higher margins we

are generally able to earn from projects in these countries compensate us for the political risks that we are subject to as a result.

- We attempt to mitigate political risk through our experience and knowledge of the markets in which we are active and by entering into joint ventures with domestic companies and using domestic subcontractors, suppliers and labor. By establishing these partnerships with domestic entities, we also seek to integrate our operations into the communities in which we operate.

- We generally seek to establish long-term operations in countries in which we are active and seek appropriate project opportunities that meet our rigorous risk management criteria. Our long presence in countries such as Peru (34 years), Angola (29 years), and Venezuela (19 years), including during periods of social unrest or war, and our involvement in high visibility projects that are important to a country's economy and development, have earned us goodwill with the governments of these countries. Accordingly, while other construction companies generally avoid operating in certain of the countries in which we are active, our management believes that our extensive experience in these countries, our diversification and our extensive contract risk assessment and risk sharing with other project participants allow us to effectively manage the political risks presented by construction projects in these countries. In addition, to help cover certain risks, we have a comprehensive portfolio of insurance policies. At December 31, 2012, our insurance coverage, which protects us against risks, such as engineering risk, operational risk and civil liability, totaled U.S.$42,530.3 million, compared to U.S.$48,709.7 million at December 31, 2011. At December 31, 2012, our surety bond coverage, which insures execution and performance of construction works, amounted to U.S.$9,760.8 million, compared to U.S.$8,646.3 million at December 31, 2011.

- We seek to obtain approximately 10% to 15% down payments on the execution date of project contracts with customers located outside of Brazil. At December 31, 2012, we had R$3,936.5 million (U.S.$1,926.4 million) in short-term advances from customers and R$6,490.9 million (U.S.$3,176.4 million) in long-term advances from customers.

- Our strategy involves concentrating our business into more profitable markets and projects. When our management no longer believes that a particular market continues to meet our long-term objectives, we act to close or phase out our operations in these markets.

Focusing on Complex Large-Scale Construction Opportunities and Concession Projects

We seek to continue to focus on large-scale infrastructure and other complex, tailor-made construction projects in Brazil. We believe there will be significant opportunities in the coming years for us in the Brazilian power, oil, transportation, water supply, sanitation and other infrastructure sectors because of favorable economic conditions in Brazil, the Program for Economic Growth Acceleration (PAC) sponsored by the Brazilian government that focuses on investments in infrastructure, urban development and energy, the World Cup to be held in Brazil in 2014 and the Olympic Games to be held in Rio de Janeiro in 2016, among other factors. We believe that our domestic market knowledge, human and material resources, size, experience and expertise enable us to continue to compete effectively for large and complex projects in Brazil. In addition to infrastructure projects in Brazil, we intend to concentrate our construction activities on concession-based projects, mainly in Latin America.

Pursuing International Opportunities

We are the market leader for engineering and construction projects in Brazil, Angola and certain other countries in Latin America and will continue to pursue business opportunities and strategic alliances in selected projects that will improve our market share and competitiveness. We intend to leverage our experience to broaden our presence in selective international markets and to pursue and develop growth opportunities in these markets. Considering our operations in Angola and more recently in Mozambique and Guinea-Conakry, we may seek to further increase our operations in Africa. In 2012, we began operations in the United Arab Emirates, developing a waste water pumping station.

Offering Our Customers Differentiated Services

We will continue to seek to differentiate our company from our competitors through our ability to offer our clients a complete range of services in the markets where we operate. Our capabilities encompass not only construction expertise and innovations that help to reduce completion time and improve cost and quality controls but also extend to our substantial experience in helping to secure financing for many of our engineering and construction projects.

Enhancing Human Resources

We will continue to focus on recruiting and retaining motivated and knowledgeable employees. We believe that our continued growth and financial success is directly related to the experience of our construction and engineering project managers, as well as our ability to attract and train our other employees to develop the skills necessary to manage and execute future projects.

Odebrecht Group

We are a wholly-owned subsidiary of Odebrecht, one of the largest privately held conglomerates in Brazil. In addition to engineering and construction services provided by us, Odebrecht was involved in the following business segments through the following subsidiaries at December 31, 2012:

- Odebrecht Energia S.A., or OE, which focuses on the Brazilian energy sector;

- Odebrecht Óleo e Gás S.A., or OOG, which focuses on services for the Brazilian oil and gas industry. In October 2010, Temasek Holdings, an investment fund of the Singapore government, acquired a 14.3% equity interest in OOG, and in October 2011, an investment fund managed by Gávea Investimentos acquired a 5.0% equity interest in OOG;

- Odebrecht Participações e Investimentos S.A., or OPI, which manages Odebrecht's investments in new businesses. OPI indirectly owns approximately 35% of the capital stock of Estaleiro Enseada do Paraguaçu S.A., or EEP, a shipyard company located in the Municipality of Maragogipe, State of Bahia, that focuses on shipbuilding, engineering, construction and manufacturing activities, as well as integration of offshore units, such as platforms, ships and vessels. OPI's indirect 35% ownership in EEP is held through Estaleiro EEP Participações S.A., or EEP-Par, a joint-venture that it controls and that owns 70% of the capital stock of EEP. The remaining 30% of the capital stock of EEP is owned by Kawasaki Heavy Industries, Ltd., a Japanese company;

- Odebrecht Defesa e Tecnologia S.A., or ODT, Odebrecht's holding company for all assets related to defense and public and national security;

- Odebrecht Realizações Imobiliárias e Participações S.A., or OR, which focuses on the Brazilian real estate sector. In May 2010, an investment fund managed by Gávea Investimentos acquired a 14.5% equity interest in OR;

- Odebrecht Transport S.A., or OTP, which focuses on the transportation and logistics sector in Brazil. In September 2010, FI-FGTS Infrastructure Investment Fund, or FI-FGTS, acquired a 30% equity interest in OTP;

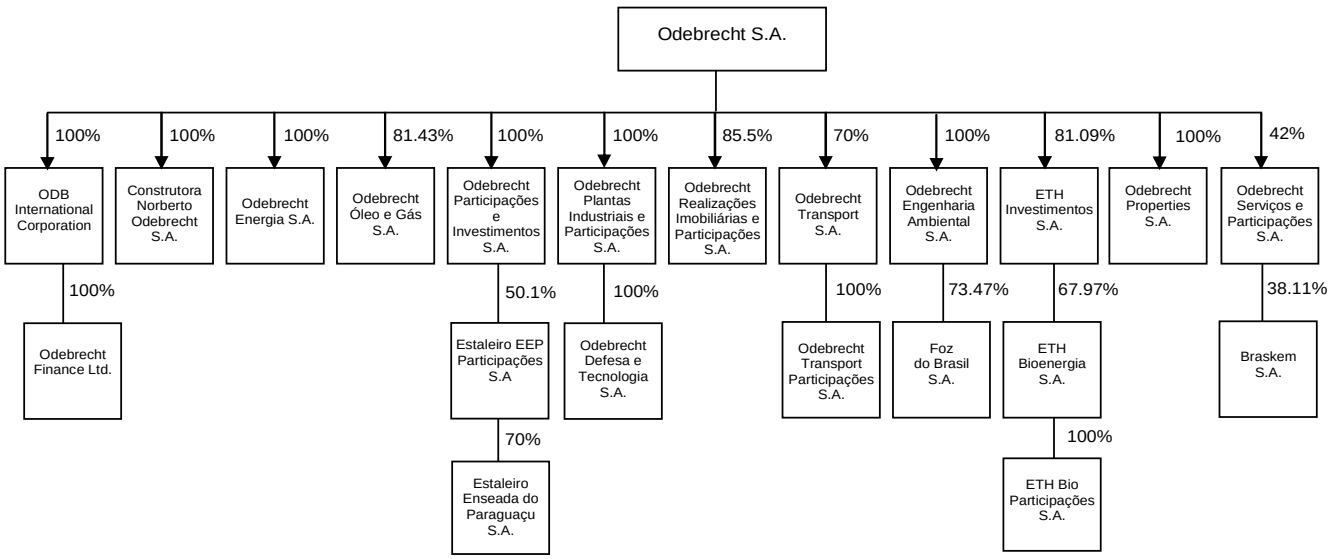
- Odebrecht Engenharia Ambiental S.A., or OEA, a company focused on the environmental sector (including water, sewage and sanitation services) and the sole shareholder of Foz do Brasil S.A., or Foz do Brasil. In October 2009, FI-FGTS acquired 26.53% of the equity interest of Foz do Brasil by fully subscribing to an issuance of its shares for R$650.0 million;

- ETH Bio Participações S.A., or ETH, which focuses on sugar and ethanol production in Brazil. Odebrecht owns, indirectly through ETH Investimentos S.A., approximately 55.1% of the capital stock

of ETH, while the remaining capital stock of ETH is owned by Sojitz Corporation, a Japanese conglomerate, BNDES Participações S.A. - BNDESPAR, and other private equity funds; and

- Odebrecht Properties S.A., or OP, which focuses on properties, entertainment assets and public-private partnerships in Brazil.

The following is a structure chart of the Odebrecht Group's business portfolio and Odebrecht's ownership interest (excluding qualifying director shares) in the issuer, us, Braskem and Odebrecht's other principal operating subsidiaries at December 31, 2012. The percentages represent the percentage of the total share capital owned by each such shareholder.



(1) While OSP owns 38.11% of Braskem's outstanding share capital, it owns 50.11% of its voting capital.

Recent Development

Tender Offer for 2020 Notes and 2023 Notes and Consent Solicitation for 2023 Notes

Concurrently with this offering, Odebrecht Finance commenced cash tender offers, or the tender offer, for any and all of its (1) 7.00% notes due 2020, or the 2020 notes, of which U.S.$118.6 million in aggregate principal amount is outstanding and (2) 6.00% notes due 2023, or the 2023 notes, of which U.S.$729.0 million in aggregate principal amount is outstanding, subject to certain terms and conditions of the tender offers. In conjunction with the tender offer for the 2023 notes, Odebrecht Finance is also soliciting consents to adopt proposed amendments to the indenture under which the 2023 Notes were issued that would eliminate substantially all restrictive covenants and certain event of default provisions. However, we cannot assure you that any tender offer will be consummated.

Offering of Notes due 2018

On the date hereof, the issuer executed a purchase agreement with the initial purchasers to sell R$500.0 million aggregate principal amount of its 8.25% senior notes due 2018, payable in U.S. dollars, or the 2018 R$ notes. We will provide an unconditional guaranty of the 2018 R$ notes. We intend to use the net proceeds from the offering of 2018 R$ notes, to purchase the 2020 notes and the 2023 notes that are tendered in connection with the tender offer, subject to the terms and conditions of the tender offer. We intend to use any remaining portion of the net proceeds of the offering of 2018 R$ notes to repay certain indebtedness and for general corporate purposes.

Principal Shareholders

CNO

100% of our share capital is owned by Odebrecht, which in turn, is controlled by ODBINV S.A. ODBINV S.A. is a Brazilian corporation that is controlled by Kieppe Participações e Administração Ltda. (which owns 54.3% of the total and voting capital of ODBINV S.A.). Kieppe Participações e Administração Ltda. is a Brazilian limited liability company that is wholly-owned by the Odebrecht family. Certain shareholders and officers of Odebrecht own the remaining capital of ODBINV S.A. that is not owned by the Odebrecht family.

Odebrecht Finance Ltd.

Odebrecht Finance, a wholly-owned subsidiary of Odebrecht, is an exempted company incorporated with limited liability on January 30, 2007 under the laws of the Cayman Islands. See "The Issuer."

Our registered office is located at Praia de Botafogo, 300, 11th Floor, CEP 22250-040, Rio de Janeiro, Brazil, and our telephone number at this address is +55-21-2559-3000. Our principal executive office is located at Avenida das Nações Unidas, 8501, 28th Floor, São Paulo, SP, CEP 05425-070, Brazil, and our telephone number at this address is +55-11-3096-9000.

Our website address is *www.odebrecht.com*. Information on our website is not incorporated into this offering memorandum and should not be relied upon in determining whether to make an investment in the notes.

THE OFFERING

This summary highlights information presented in greater detail elsewhere in this offering memorandum. This summary is not complete and does not contain all the information you should consider before investing in the notes. You should carefully read this entire offering memorandum before investing in the notes, including "Risk Factors" and our financial statements.

Issuer	Odebrecht Finance Ltd.
Guarantor.....	Construtora Norberto Odebrecht S.A.
Notes offered	U.S.$550,000,000 aggregate principal amount of 4.375% notes due April 25, 2025.
Guaranty	We will unconditionally and irrevocably guarantee all of the issuer's obligations pursuant to the notes.
Ranking	The notes will be unsecured, unsubordinated obligations of the issuer. We will unconditionally and irrevocably guarantee the notes on an unsecured basis. The guaranty will rank equally in right of payment with our unsecured and unsubordinated indebtedness. The guaranty will be effectively junior to our secured indebtedness and the indebtedness of any of our subsidiaries. At December 31, 2012, we had total consolidated indebtedness outstanding of R$850.0 million, of which R$287.2 million was secured, and R$562.8 million was unsecured.
Issue price.....	98.851%.
Issue date	April 25, 2013.
Maturity	The notes will mature on April 25, 2025.
Interest.....	Interest on the notes will accrue at a rate of 4.375% per annum. The issuer will pay interest on the notes semi-annually in arrears on April 25 and October 25 of each year, commencing on October 25, 2013.
Additional amounts.....	The issuer or CNO, as the case may be, will pay additional amounts in respect of certain withholding taxes imposed on payments of interest or principal so that the amount you receive under the notes or the guaranty, after such withholding taxes, if any, will equal the amount that you would have received if no such withholding taxes had been applicable, subject to some exceptions as described under "Terms and Conditions—Covenants—Additional Amounts."
Optional redemption.....	The issuer or CNO, may, at its option, redeem the notes, in whole or in part at any time, by paying 100% of the principal amount of the notes to be redeemed plus the applicable "make-whole" amount and accrued and unpaid interest and additional amounts, if any. See "Terms and Conditions—Redemption and Repurchase—Optional Redemption."
Tax redemption.....	If due to changes in law relating to taxes applicable to (1) payment of interest or principal under the notes, such payments become subject to withholding or deductions of taxes by the relevant tax authority or (2) payments under the guaranty, such payments become subject to withholding or deductions of taxes by the relevant tax authority at a rate in excess of the additional amounts that we would pay if such payments were subject to withholding or deduction at a rate of 15.0% or at a rate of 25.0% (in case the holder of the notes is resident in a tax haven jurisdiction), the issuer or CNO may redeem the outstanding notes in whole but not in part at 100% of the principal amount thereof, plus accrued

	interest to the redemption date. See "Terms and Conditions—Redemption and Repurchase—Optional Tax Redemption."
Change of control	Upon the occurrence of a Change of Control that results in a Ratings Decline of the notes, the issuer, subject to certain exceptions, will be required to make an offer to repurchase all of the notes at 101% of their principal amount, plus accrued and unpaid interest, if any, on the repurchase date. See "Terms and Conditions—Covenants—Repurchase of Notes upon a Change of Control."
Delivery	The notes were delivered on April 25, 2013.
Indenture	The notes will be issued under an indenture among the issuer, CNO, The Bank of New York Mellon, as trustee, The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent.
Clearance and settlement	The notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear Bank S.A./N.V., as the operator of the Euroclear System, and Clearstream Banking and will trade in DTC's same day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see "Terms and Conditions."
Form and denomination	Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form without interest coupons attached only in denominations of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof. Any notes sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Certain covenants	The terms of the notes will limit our ability and the ability of our significant subsidiaries to create liens and will allow us to consolidate or merge with, or transfer all or substantially all of our assets to, another person only if we comply with certain requirements. However, these limitations are subject to a number of important exceptions. See "Terms and Conditions—Covenants" and "Risk Factors—Risks Relating to the Notes and the Guaranty."
Use of proceeds	Odebrecht Finance intends to use the net proceeds of this offering to purchase the 2020 notes and the 2023 notes that are tendered in connection with the tender offer, subject to the terms and conditions of the tender offer. We intend to use any remaining portion of the net proceeds of this offering to repay certain indebtedness and for general corporate purposes. See "Use of Proceeds."
Transfer restrictions	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See "Transfer Restrictions."
Trustee	The Bank of New York Mellon.
Principal paying agent	The Bank of New York Mellon Trust (Japan), Ltd.
Luxembourg listing agent	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg paying and transfer agent	The Bank of New York Mellon (Luxembourg) S.A.

Listing and trading.....	We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit to trading the notes on the Euro MTF market of the Luxembourg Stock Exchange. If the listing of the notes on the Luxembourg Stock Exchange would, in the future, require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.
Governing law	The indenture, the notes and the guaranty will be governed by the laws of the State of New York.
Selling restrictions.....	There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in "Plan of Distribution."
Risk factors.....	Prospective investors should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge prospective investors to carefully consider the information set forth under "Risk Factors" for a discussion of risks and uncertainties relating to us, our subsidiaries, our business, our equity holders and an investment in the notes.

SUMMARY FINANCIAL AND OTHER INFORMATION OF CNO

The following summary financial data have been extracted without material adjustment from our audited consolidated financial statements at and for the years ended (1) December 31, 2012 and 2011, and the notes thereto and (2) December 31, 2011 and 2010, and the notes thereto, in each case, prepared in accordance with Brazilian GAAP. This summary financial data also contains unaudited data in the sections "Other Data." This summary financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of CNO" and our audited consolidated financial statements included elsewhere in this offering memorandum.

Brazilian GAAP differs in certain significant respects from accounting practices adopted in the United States, or U.S. GAAP, and IFRS. Such differences might be material to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP. For a discussion of certain differences between Brazilian GAAP and U.S. GAAP, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP." We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between Brazilian GAAP and U.S. GAAP or IFRS, and how those differences might affect the financial information included herein.

	For the years ended December 31,			
	2012 (1)	2012	2011	2010
	(*in U.S.$*)	(*in reais*)		
	(*amounts expressed in millions, except financial ratios*)			
INCOME STATEMENT DATA				
Net service revenues	14,050.9	28,713.1	21,522.7	16,207.2
Gross profit	2,171.4	4,437.2	3,617.3	2,757.5
Net income	457.2	934.2	918.9	1,224.1
OTHER DATA (unaudited)				
Gross margin (2)	15.5%	15.5%	16.8%	17.0%
EBITDA (3)	1,406.6	2,874.5	2,297.8	1,804.1
EBITDA margin (4)	10.0%	10.0%	10.7%	11.1%

	At December 31,			
	2012 (1)	2012	2011	2010
	(*in U.S.$*)	(*in reais*)		
	(*amounts expressed in millions, except financial ratios*)			
BALANCE SHEET DATA				
Assets				
Cash and cash equivalents	3,439.6	7,028.8	6,708.5	4,580.7
Financial investments	58.9	120.4	122.6	136.4
Trade accounts receivable	3,389.7	6,926.8	4,723.4	4,373.5
Permanent assets (5)	1,609.0	3,287.9	3,254.8	2,964.4
Total assets	12,052.9	24,630.0	20,328.5	16,580.9
Short-term Liabilities				
Debts	229.9	469.8	753.7	688.3
Suppliers and subcontractors	1,875.8	3,833.1	2,779.7	1,906.6
Advances from customers	1,926.4	3,936.5	3,115.6	1,329.8
Other accounts payable	116.3	237.7	357.5	479.7
Long-term Liabilities				
Debts	186.1	380.2	483.8	763.0
Suppliers and subcontractors	48.0	98.0	87.6	72.0
Advances from customers	3,176.4	6,490.9	5,128.7	4,330.5
Stockholders' equity				
Capital	1,021.2	2,086.9	2,096.6	1,113.1
Revenue reserves	1,638.3	3,347.8	2,548.7	2,879.6
Carrying value adjustments	222.7	455.1	216.3	(69.8)
Total liabilities and stockholders' equity	12,052.9	24,630.0	20,328.5	16,580.9
OTHER DATA (unaudited)				
Net debt/EBITDA ratio (6)	(2.19)	(2.19)	(2.43)	(1.81)
Net debt/EBITDA ratio including CNO guaranty of notes (7)	0.005	0.005	(0.84)	(0.34)

(1) Solely for the convenience of the reader, Brazilian *real* amounts at and for the periods ended December 31, 2012 have been translated into U.S. dollars at the commercial selling rate at December 31, 2012, of R$2.0435 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Gross margin represents gross profit divided by net service revenues.

(3) EBITDA means net service revenues, *minus* cost of services rendered, *minus* general and administrative expenses, *plus* any depreciation or amortization included in cost of sales and services rendered or general and administrative expenses. Although EBITDA is not a measurement under Brazilian GAAP, our management believes that EBITDA serves as an important financial analysis tool for measuring our performance in several areas, including liquidity, operating performance and leverage. EBITDA is commonly used by financial analysts in evaluating our business. EBITDA should not be considered in isolation or as a substitute for net income as a measure of performance, cash flow from operating activities or other measures of liquidity determined in accordance with Brazilian GAAP. EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is calculated as follows:

	For the years ended December 31,			
	2012(1)	2012	2011	2010
	(*in U.S.$*)	(*in reais*) (*amounts expressed in millions*)		
Net service revenues	14,050.9	28,713.1	21,522.7	16,207.2
Cost of services rendered	(11,879.6)	(24,275.9)	(17,905.4)	(13,449.8)
General and administrative expenses (8)	(972.7)	(1,987.7)	(1,683.4)	(1,398.1)
Depreciation/amortization	208.0	425.0	363.9	444.8
EBITDA	1,406.6	2,874.5	2,297.8	1,804.1

(4) EBITDA margin is calculated by dividing EBITDA by our total net service revenues, expressed as a percentage.

(5) Permanent assets represent the sum of investments, property and equipment and intangible assets.

(6) Net debt/EBITDA ratio at December 31, 2012, 2011 and 2010 is calculated by dividing (1) our consolidated net debt at the end of the applicable year by (2) our consolidated EBITDA for the corresponding year. Net debt means total short and long-term debt less cash and cash equivalents, and less financial investments.

(7) Net debt/EBITDA ratio including CNO's guaranty of notes at December 31, 2012, 2011 and 2010 is calculated by dividing (1) the sum of (x) our consolidated net debt at the end of the applicable year and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guarantee:

(i) at December 31, 2010: (A) U.S.$400.0 million of Odebrecht Finance's 7.50% notes due 2017, or the 2017 notes, (B) U.S.$200.0 million of Odebrecht Finance's 9.625% notes due 2014, or the 2014 notes, (C) U.S.$500.0 million of Odebrecht Finance's 7.00% notes due 2020 and (D) U.S.$500.0 million of Odebrecht Finance's 7.50% perpetual notes, or the perpetual notes;

(ii) at December 31, 2011: (A) U.S.$112.8 million of the 2017 notes, (B) U.S.$41.8 million of the 2014 notes, (C) U.S.$500.0 million of the 2020 notes, (D) U.S.$750.0 million of the perpetual notes and (E) U.S.$500.0 million of the 2023 notes; and

(iii) at December 31, 2012: (A) U.S.$41.8 million of the 2014 notes, (B) U.S.$118.6 million of the 2020 notes, (C) U.S.$750.0 million of the perpetual notes, (D) U.S.$729.0 million of the 2023 notes, (E) U.S.$600.0 million of Odebrecht Finance's 5.125% notes due 2022, or the 2022 notes, and (F) U.S.$850.0 million of Odebrecht Finance's 7.125% notes due 2042, or the 2042 notes;

by (2) our consolidated EBITDA for the corresponding year.

(8) For the years ended December 31, 2011 and 2010, general and administrative expenses include management's remuneration and management profit sharing. For the year ended December 31, 2012, general and administrative expenses include management's remuneration only.

RISK FACTORS

Prospective purchasers of notes should carefully consider the risks described below, as well as the other information in this offering memorandum, before deciding to purchase any notes. Our business, results of operations, financial condition or prospects could be negatively affected if any of these risks occurs, and as a result, the trading price of the notes could decline and you could lose all or part of your investment.

Risks Relating to the Issuer

The issuer's ability to make payments on the notes depends on its receipt of payments from us.

The issuer's principal business activity is to act as a financing vehicle for Odebrecht's activities and operations. The issuer has no substantial assets, and accordingly, holders of the notes must rely on our cash flow from operations to pay amounts due in connection with the notes. The ability of the issuer to make payments of principal, interest and any other amounts due on the notes is contingent on its receipt from us of amounts sufficient to make these payments, and, in turn, on our ability to make these payments. In the event that we are unable to make such payments for any reason, the issuer will not have sufficient resources to satisfy its obligations under the indenture governing the notes.

Risks Relating to Our Company

International and Political events may adversely affect our operations.

A significant portion of our revenue is derived from construction projects undertaken in Brazil and certain other emerging market economies, including certain countries in Latin America and in the Middle East, and Angola, which exposes us to significant risks inherent in operating in these economies. These risks include:

- expropriation and nationalization of our assets in a particular jurisdiction or related to a specific project;
- political and economic instability;
- social unrest, acts of terrorism, force majeure, war or other armed conflict;
- inflation;
- currency fluctuations, devaluations and conversion restrictions;
- confiscatory taxation or other adverse tax policies;
- government activities that limit or disrupt markets, restrict payments or limit the receipt or transfer of funds;
- government activities that may result in the indirect deprivation of rights; and
- increasing protectionism that excludes foreign entities from procuring contracts in certain markets.

Many of the countries in which we operate have significant levels of political risk. For example, in Libya, the armed conflict that began in February 2011 has caused us to suspend our projects in that country and evacuate our employees. Although military activities in Libya have ceased, we have not resumed operations in the country, as we await the outcome of its ongoing political restructuring. We currently have one contract outstanding in Libya in the amount of U.S.$258.6 million, representing 0.8% of our total backlog at December 31, 2012.

A significant portion of our services is contracted on a fixed-price basis, subjecting us to risks, including cost overruns and operating cost inflation.

We contract to provide services principally on a "unit price" basis or on a fixed-price basis, with unit price and fixed-price (or lump sum) contracts together accounting for most of our gross revenues in the years ended December 31, 2012 and 2011. With fixed-price contracts, we bear the risk of unanticipated increases in the cost of equipment, materials or manpower due to inflation or unforeseen events, such as difficulties in obtaining adequate financing or required governmental permits or approvals, project modifications resulting in unanticipated costs or delays caused by local weather conditions, other natural phenomena, or suppliers' or subcontractors' failure to perform. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events, subject to the protection of standard force majeure provisions and insurance policies contracted for a project. Our failure to estimate accurately the resources and time required to complete a particular fixed-price project, or our inability to complete our contractual obligations (or applicable milestones) within the contracted time frame, could have a material adverse effect on our business, results of operations and financial condition.

Decreases in governmental spending and capital spending by our customers may adversely affect us.

Our business is directly affected by changes in governmental and private sector spending and financing for infrastructure projects and by variations in capital expenditures by our customers. Accordingly, reductions in available governmental and private sector spending and financing for infrastructure projects may have a material adverse impact on our results of operations and financial condition. Economic downturns, including the global economic downturn that began in the end of 2008, generally lead to decreases in the number of new projects awarded, as well as delays or cancellations of major projects awarded (but not commenced), which could have a material adverse effect on our business, results of operations and financial condition.

Decreases in availability of Brazilian governmental and multilateral financial institution funding may adversely affect us.

Many of our construction projects are financed by the Brazilian government and by multilateral financial institutions. A decrease in the level of financing available from the Brazilian government for service exports or from multilateral financial institutions for infrastructure projects in the markets where we are active may materially and adversely affect our business, results of operations and financial condition.

Delays in receipt of payment for public sector projects may adversely affect us.

We contract to provide services to both public sector clients and private sector clients. Historically, we have experienced payment delays for work completed on many of our public sector contracts. Such delays, if continued, could have a material adverse effect on our business, results of operations and financial condition.

We are susceptible to operational risks that could affect our business and financial condition.

We may be adversely affected by natural disasters, adverse weather conditions and operator error, business interruption (through evacuation of personnel, curtailment of services, reduction in productivity or failure to deliver materials to jobsites on a timely basis in accordance with contract schedules), property and equipment damage and pollution or environmental damage. Also, because we engage in engineering and construction activities for large industrial facilities and other large projects where design, construction or systems failures can result in substantial injury or damage to third parties, we are exposed to potential liability claims and contractual disputes. Our insurance coverage may not be sufficient in all circumstances or against all hazards. In addition, as prices for the cost of renewal of insurance contracts and fees charged for the provision of surety bonds have increased considerably in Brazil and outside Brazil over the past few years, there can be no assurance that we will be able to maintain adequate insurance coverage in the future at commercially reasonable rates or on acceptable terms. See "Business—Insurance and Guaranties." The occurrence of a significant adverse event for which we are not fully insured could have a material adverse effect on our business, results of operations and financial condition.

We are directly affected by fluctuations in exchange rates between the* real *and the U.S. dollar.

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because our revenues, costs, assets and indebtedness are both in U.S. dollars and *reais*. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, in 2008, the *real* depreciated by 24.2% against the U.S. dollar and appreciated by 34.2% and 4.5% against the U.S. dollar in 2009 and 2010, respectively. However, in 2011 and 2012, the *real* depreciated by 12.6% and 8.9%, respectively, against the U.S. dollar. Appreciation of the *real* against the U.S. dollar may lead to the deterioration of Brazil's current account and balance of payments as well as hinder export growth. The depreciation of the *real* relative to the U.S. dollar generally makes it more difficult for Brazilian companies to access foreign financial markets and, despite that our revenues are largely denominated in U.S. dollars, the depreciation of the *real* would make it more costly for us to pay our debts which are largely denominated in U.S. dollars. In addition, such depreciation may prompt government intervention, including recessionary economic policies. Accordingly, any major appreciation or devaluation of the *real* against the U.S. dollar may have a material adverse effect on our business, financial condition and results of operations.

We are subject to stringent environmental requirements, and compliance with their regulations and any new regulations could require significant capital expenditures and increase our operating costs.

We are subject in the various jurisdictions in which we operate to various federal, state and local environmental protection and health and safety laws and regulations governing, among other things:

- the generation, storage, handling, use and transportation of hazardous materials;
- the emission and discharge of hazardous materials into the ground, air or water; and
- the health and safety of our employees.

We are also required to obtain permits from governmental authorities for certain aspects of our operations. We cannot assure you that we have been or will be at all times in full compliance with these laws, regulations and permits. These laws, regulations and permits can often require us to purchase and install expensive pollution control equipment or to make operational changes to limit impacts or potential impacts on the environment and/or health of our employees and violation of these laws and regulations or permit conditions can result in various sanctions, many of which may be applied retroactively, including substantial fines, criminal sanctions, correction orders (including orders to investigate and/or clean up contamination) and/or revocations of operating permits.

We expect to make capital expenditures on an ongoing basis to continue to ensure our compliance with environmental laws and regulations. However, due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated and may affect the availability of funds to us for capital and other expenditures. We could also be held liable for any and all consequences arising out of human exposure to hazardous substances or other environmental damage. We cannot assure you that our costs of complying with current and future environmental and health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not materially adversely affect our business, results of operations or financial condition.

In addition, project contracts generally include environmental compliance obligations. Any breach by us of applicable environmental regulations or contractual compliance obligations could have a material adverse effect on our results of operations and financial condition. See "Business—Legal and Regulatory Matters."

We face significant competition in our business, which may adversely affect our profitability.

Many of the markets served by us are highly competitive, and most of the projects that we execute require substantial resources, capital investment in equipment and particularly highly skilled and experienced technical personnel. Most of our ongoing construction projects were awarded through competitive bidding processes, and we face substantial competition for projects. While pricing generally is the most important factor that determines

whether we will be awarded a particular contract, other important factors include health, safety and environmental protection records, service quality, technological capacity and performance, as well as reputation, experience, access to funding sources and client relations. Although we are the largest engineering and construction company in Latin America (as measured by our gross revenues in 2011) and the only major Brazilian construction company with most of its revenues generated from outside of Brazil, many of our international competitors are larger, have greater technological capacity and may have access to sources of lower-cost funding than us. While these international competitors operate mainly outside Brazil, they can also form partnerships in Brazil with domestic engineering and construction companies and may compete with us in Brazil and abroad. Competition also places downward pressure on our contract prices and profit margins. Given the global recession that began in the end of 2008, intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits, which could have a material adverse effect on our business, financial condition and results of operations.

We face risks related to project performance requirements and completion schedules, which could jeopardize our profits.

In certain instances, we have guaranteed completion of a project by a scheduled acceptance date or achievement of certain acceptance and performance testing levels. However, there is a risk that adherence to these guaranties may not be possible. The failure to meet any such schedule or performance requirements could result in costs that reduce our projected profit margins, including a requirement for us to pay fixed-amount liquidated damages up to a certain percentage of the overall contract amount and/or guaranties for the entire contract amount. There can be no assurance that the financial penalties stemming from our failure to meet guaranteed acceptance dates or achievement of acceptance and performance testing levels would not have a material adverse effect on our business, financial condition and results of operations.

Our failure to recover adequately on claims against project owners for payment could have a material effect on us.

We occasionally bring claims against project owners for additional costs that exceed the contract price or for amounts not included in the original contract price. These types of claims occur due to matters such as owner-caused delays or changes from the initial project scope, which result, both directly and indirectly, in additional costs. Often, these claims can be the subject of lengthy arbitration or litigation proceedings, and it is often difficult to accurately predict when these claims will be fully resolved. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a material adverse impact on our liquidity and financial condition.

Our continued success requires us to hire and retain qualified personnel.

In recent years, the demand for employees who engage in and are experienced in the services we perform has continued to grow as our customers have increased their capital expenditures and the use of our services. The success of our business is dependent upon being able to attract and retain personnel, including engineers, corporate management and skilled employees, who have the necessary and required experience and expertise. Competition for these types of personnel is intense. Difficulty in attracting and retaining these personnel could reduce our capacity to perform adequately in present projects and to bid for new ones.

The continuing global recession that began in the end of 2008, a decrease in the level of capital expenditures by our clients and continued credit constraints could materially and adversely affect us.

Our revenue and cash flow are dependent upon large-scale infrastructure projects. The availability of these types of projects is dependent upon the economic condition of the construction, oil and gas and power industries, specifically, the level of capital expenditures by our clients on infrastructure. The global recession that began in the end of 2008 and related turmoil in the global financial system and in the capital markets may have a material adverse impact on the level of capital expenditures of our clients and/or their ability to finance these expenditures. Our failure to contract for new projects, a delay in award of projects, and the cancellation of already awarded

projects or slow-downs in completion of contracts, among other factors, could result in under-utilization of our resources and a reduction in our liquidity, which would have a material adverse impact on our revenues and cash flow. There are numerous factors beyond our control that may influence the level of capital expenditure spending by our clients, including:

- construction, production and transportation costs;
- exchange rate movements, including further volatility in the Brazilian *real;*
- current or projected commodity, oil and gas and power prices;
- volatility in inflation rates, including hyperinflation or deflation; and
- domestic and international political and economic conditions.

We routinely enter into contracts with counterparties (including vendors, suppliers, and subcontractors) that may be materially adversely affected by the global recession that began in the end of 2008. If our counterparties are unable to perform their obligations to us, we may be required to provide additional services or make alternate arrangements with other parties to attempt to ensure adequate performance and delivery of services to our clients, and their payment for these services. These circumstances could also lead to disputes and litigation with our partners or clients, which could materially adversely affect our reputation, business, financial condition and results of operations.

In weak economic environments, we may experience increased delays and defaults in payment by our clients. If clients delay or default in paying in respect of a material portion of our accounts receivables, this could have a material adverse effect on our liquidity, results of operations, and financial condition.

Any downgrade in the ratings of our company or our debt securities would likely result in increased interest and other financial expenses related to our borrowings and debt securities and could reduce our liquidity.

Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of ratings may be obtained from the rating agencies. S&P maintains a rating of our company on a local and a global basis. S&P maintains a long-term rating of our company on a local basis of brAAA with stable outlook. On a global basis, S&P maintains a long-term rating for our company of "BBB-" with stable outlook. Since July 23, 2007, Fitch has also maintained a rating of our company. Fitch maintains a national rating of AA+ (bra) of our company with a stable outlook and a global rating of "BBB-" with a stable outlook. Since December 10, 2009, Moody's has also maintained a rating of our company. Moody's maintains a national rating of Aa1.br of our company with a stable outlook and a global rating of "Baa3" with a stable outlook. Any decision by S&P, Fitch, Moody's or other rating agencies to downgrade our credit ratings in the future may have a material adverse effect on the market price of the notes and would likely result in increased interest and other financial expenses relating to our future borrowings and issuance of debt securities and could significantly reduce our ability to obtain financing on satisfactory terms or in amounts required by us to maintain adequate liquidity.

Risks Relating to Our Shareholders

We are controlled by the Odebrecht family, which has the power to indirectly control us and all of our subsidiaries.

All of our total voting capital is owned by Odebrecht which, in turn, is ultimately controlled by the Odebrecht family. See "Principal Shareholders." Accordingly, the Odebrecht family has the ability to influence the outcome of certain major corporate decisions requiring the approval of our shareholders or officers, which could affect the holders of the notes, including the power to:

- appoint a majority of our officers, set our management policy and exercise overall control of our management and the management of our subsidiaries;

- agree to sell or in any manner transfer the controlling stake in us or any of our subsidiaries;
- agree to transfer any of our assets or subsidiaries; and
- determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets and the timing and payment of any future dividends.

We engage in, and expect from time to time to continue to engage in, commercial and financial transactions with our shareholders or their affiliates. These commercial and financial transactions between our affiliates and us could create the potential for, or could result in, conflicts of interests. For a discussion of certain related party transactions, see "Related Party Transactions."

We may face conflicts of interest in transactions with related parties.

Certain decisions concerning our operations or financial structure, or that of our subsidiaries, may present conflicts of interest among our controlling shareholder, other shareholders, officers and the holders of the notes. We maintain trade accounts receivable and short and long-term payables with some of our affiliates. These accounts receivable and accounts payable balances are due mainly to purchases and sales of services at prices and on terms that are negotiated between related parties. Commercial transactions between us and these affiliates could result in conflicting interests. See "Related Party Transactions." Our shareholders and officers may have an interest in pursuing transactions that, in their judgment, enhance the value of our equity, even though such transactions may involve risks to the holders of the notes. We cannot assure you that our shareholders and officers will be able to address these conflicts of interests or others in an impartial manner.

Risks Relating to Brazil

The Brazilian government influences significantly the Brazilian economy. This influence together with the Brazilian political conditions may adversely affect our business and overall financial performance.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policy and regulations. The Brazilian government's actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. Our business, financial condition and results of operations may be adversely affected by changes in policy or regulations involving or affecting factors such as:

- interest rates;
- monetary policies;
- currency fluctuations;
- inflation;
- liquidity of domestic capital and financial markets; and
- tax policies.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to increase volatility in the Brazilian securities market and securities issued abroad by Brazilian companies, which may adversely affect us.

Government efforts to combat inflation, especially the increase in official interest rates, may contribute significantly to economic uncertainty in Brazil and negatively affect our business and adversely affect the market price of the notes.

Historically, Brazil has experienced high rates of inflation. According to the Brazilian General Market Price Index (*Índice Geral de Preços do Mercado*), or IGP-M, a general price and inflation index, the inflation rates in Brazil were 9.8% in 2008, (1.7)% in 2009, 11.3% in 2010 and 5.1% in 2011. In addition, according to the National Extended Consumer Price Index (*Índice Nacional de Preços ao Consumidor Ampliado*), or IPCA, published by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística — IGBE*), the Brazilian consumer price inflation rates were 5.9% in 2008, 4.3% in 2009, 5.9% in 2010, 6.5% in 2011 and 5.8% in 2012.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also in the past contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. An increase in prices for petroleum, the depreciation of the *real* and future governmental measures seeking to maintain the value of the *real* in relation to the U.S. dollar, may trigger increases in inflation in Brazil. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which would lead to reduced demand for our services in Brazil and decreased net service revenues. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our *real*-denominated debt may increase, causing our net income to be reduced. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could adversely affect our ability to refinance our indebtedness in those markets. Any decline in our net service revenues or net income and any deterioration in our financial condition would also likely lead to a decline in the market price of the notes.

Exchange rate instability may adversely affect the Brazilian economy and the market price of our notes.

As a result of multiple factors, the Brazilian currency has been depreciated periodically in relation to the U.S. dollar and other foreign currencies during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and implemented a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the *real* and the U.S. dollar and other currencies. For example, in 2010, the *real* appreciated against the U.S. dollar, by 4.5% from R$1.741 per U.S.$1.00 on December 31, 2009 to R$1.666 per U.S. dollar on December 31, 2010. In 2011, however, the *real* depreciated by 12.6% against the U.S. dollar, from R$1.666 per U.S. dollar on December 31, 2010 to R$1.876 per U.S. dollar on December 31, 2011. In 2012, however, the *real* further depreciated by 12.6% against the U.S. dollar, from R$1.876 per U.S. dollar on December 31, 2011 to R$2.044 per U.S. dollar on December 31, 2012.

The depreciation of the *real* against the U.S. dollar could create additional inflationary pressures in Brazil and lead to increases in interest rates, which may negatively affect the Brazilian economy as a whole, materially adversely affecting us.

Developments and the perception of risk in other countries, especially in the United States and emerging market countries, may adversely affect the market price of Brazilian securities, including our notes.

The market prices of securities of Brazilian companies are affected to varying degrees by economic and market conditions in other countries, including the United States, Europe and other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market price of securities of Brazilian issuers, including our notes. Crises in the United States, Europe and emerging market countries or economic policies of other countries may diminish investor's interest in securities of Brazilian

issuers, including our notes. This could adversely affect the market price of our notes and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

***Judgments of Brazilian courts enforcing our obligations under the notes are payable only in Brazilian* reais.**

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the guaranty, we would not be required to discharge our obligations in a currency other than *reais.* Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guaranty will be expressed in *reais* equivalent to the U.S. dollar amount of such payment at the exchange rate on (1) the date of actual payment, (2) the date on which such judgment is rendered or (3) the actual due date of the obligations, as published by the Central Bank. There can be no assurance that such rate of exchange will afford you full compensation of the amount invested in the notes plus accrued interest.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to our business.

The Brazilian government frequently implements changes to tax regimes that affect us and our customers. These changes include changes in prevailing tax rates and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes.

Some of these changes may result in increases in our payment of taxes, which could adversely impact industry profitability and increase the prices of our services, restrict our ability to do business in our existing and target markets and cause our financial results to suffer. There can be no assurance that we will be able to maintain our projected cash flow and profitability following increases in Brazilian taxes applicable to us and our operations.

Brazilian exchange policy may adversely affect our ability to make remittances outside Brazil in respect of the guaranty.

Under Brazilian regulations, Brazilian companies are not required to obtain authorization from the Central Bank or any other governmental authority, in order to make payments in U.S. dollars outside Brazil under guaranties in favor of foreign persons, such as the holders of the notes. We cannot assure you that these regulations will continue to be in force at the time we may be required to perform our payment obligations under the guaranty. If these regulations or their current interpretations are modified and an authorization from the Central Bank is required, we may need an authorization from the Central Bank to transfer the amounts under the guaranty outside Brazil or, alternatively, make such payments with funds that we hold outside Brazil. We cannot assure you that we would be able to obtain such an authorization or that such funds will be available.

Risks Relating to the Notes and the Guaranty

There are no financial covenants in the notes and guaranty.

Neither we nor any of our subsidiaries are restricted from incurring additional debt or other liabilities, including additional senior debt, under the notes and the indenture. If we or the issuer incur additional debt or liabilities, our and the issuer's ability to pay our obligations on the notes and the guaranty could be adversely affected. We and the issuer expect that we will from time to time incur additional debt and other liabilities. In addition, we are not restricted from paying dividends or issuing or repurchasing our securities under the notes. There are no financial covenants in the indenture, the notes and the guaranty.

The guaranty will be unsecured and will rank equally with our existing and future unsecured unsubordinated indebtedness.

The guaranty will be unsecured and will constitute our unsubordinated and unsecured obligation that we have agreed will rank *pari passu* in priority of payment with all our other present and future unsubordinated and unsecured obligations. Although the guaranty will provide noteholders with a direct, but unsecured, claim on our assets and property, the guaranty will be effectively junior to our secured debt, to the extent of the assets and property securing such debt. At December 31, 2012, we had total consolidated indebtedness outstanding of R$850.0

million, of which R$287.2 million was secured, and R$562.8 million was unsecured. The guaranty will also be junior to the indebtedness of any of our subsidiaries.

In addition, we may, in the future, grant additional liens to secure indebtedness without equally and ratably securing the guaranty. If we become insolvent or are liquidated, or default in the payment of these obligations, these secured creditors will be entitled to exercise the remedies available to them under applicable law. These creditors will have a prior claim on our assets covered by their liens.

Our obligations under the guaranty will be subordinated to certain statutory liabilities.

Under Brazilian law, our obligations under the guaranty are subordinated to certain statutory preferences. In the event of our liquidation or bankruptcy, these statutory preferences, including motions for restitution, post-petition claims, claims for salaries, wages, social security, taxes and court fees and expenses and claims secured by collateral, among others, will have preference and priority over any other claims, including any claims in respect of the guaranty.

We cannot assure you that a judgment of a United States court for liabilities under U.S. securities laws would be enforceable in Brazil, or that an original action can be brought in Brazil against us for liabilities under U.S. securities laws.

We are organized under the laws of Brazil and a majority of our assets are located in Brazil. In addition, all of our directors and officers and certain advisors named herein reside in Brazil. As a result, it may not be possible for investors to effect service of process within the United States upon us or our directors, officers and advisors or to enforce against them in U.S. courts any judgments predicated upon the civil liability provisions of the U.S. federal securities laws. See “Enforcement of Civil Liabilities.”

We may not be able to repurchase the notes upon a change of control.

Upon the occurrence of a Change of Control event that results in a Ratings Decline, unless we have previously exercised our right to redeem the notes, each holder of the notes will have the right to require us to repurchase all or any part of such holder’s notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase. If we experience a Change of Control event that results in a Ratings Decline, there can be no assurance that we would have sufficient financial resources available to satisfy our obligations to repurchase the notes. Our failure to repurchase the notes as required would result in a default under the indenture, which could have material adverse consequences for us and the holders of the notes. See “Terms and Conditions—Covenants—Repurchase of Notes upon a Change of Control.”

We cannot assure you that an active trading market for the notes will develop.

The notes constitute an issue of securities for which there is no active trading market. Although we have applied to list the notes on the Luxembourg Stock Exchange for admission to trading on the Euro MTF market, there can be no assurance that a trading market for the notes will develop or, if one does develop, will be maintained. As a result, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Brazil and the market for similar securities. The initial purchasers of this offering have advised us that they currently intend to make a market in the notes. However, the initial purchasers are not obligated to do so, and any market making with the respect to the notes may be discontinued.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act or the securities laws of any U.S. state or any other jurisdiction, and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable

state securities laws. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions." In addition, we have not authorized any offer of notes to the public in the United Kingdom within the meaning of the United Kingdom's public offer regulations. Accordingly, the notes may not lawfully be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not and will not result in an offer to the public in the United Kingdom within the meaning of the Financial Services and Markets Act 2000, or FSMA.

Brazilian bankruptcy laws may be less favorable to you than U.S. bankruptcy and insolvency laws.

If we are unable to pay our indebtedness, including our obligations under the guaranty, then we may become subject to bankruptcy proceedings in Brazil. Brazilian bankruptcy laws are significantly different from, and may be less favorable to creditors than, those of the United States. In addition, any judgment obtained against us in Brazilian courts in respect of any payment obligations under the notes normally would be expressed in the *real* equivalent of the U.S. dollar amount of such sum at the exchange rate in effect on the date (1) of actual payment, (2) on which such judgment is rendered or (3) on which collection or enforcement proceedings are started against us. Consequently, in the event of our bankruptcy, all of our debt obligations that are denominated in foreign currency, including the notes, will be converted into *reais* at the prevailing exchange rate on the date of declaration of our bankruptcy by the court.

USE OF PROCEEDS

The net proceeds from the issue and sale of the notes are estimated to be approximately U.S.$540.2 million, after deducting certain expenses and commissions to be paid to the initial purchasers in connection with the offering. Odebrecht Finance intends to use the net proceeds of this offering to purchase the 2020 notes and the 2023 notes that are tendered in connection with the tender offer, subject to the terms and conditions of the tender offer. See "Summary—Recent Developments—Anticipated Tender Offer for 2020 Notes and 2023 Notes." We intend to use any remaining portion of the net proceeds of this offering to repay certain indebtedness and for general corporate purposes.

CAPITALIZATION

Odebrecht Finance Ltd.

The issuer was established on January 30, 2007, with minimal share capital. At December 31, 2012, the issuer had an aggregate outstanding principal amount of U.S.$3,089.4 million notes, being (1) U.S.$41.8 million of the 2014 notes, (2) U.S.$118.6 million of the 2020 notes, (3) U.S.$750.0 million of the perpetual notes, (4) U.S.$729.0 million of the 2023 notes, (5) U.S.$600.0 million of the 2022 notes and (6) U.S.$850.0 million of the 2042 notes.

The notes in this offering (as well as the 2014 notes, the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes and the 2042 notes) are guaranteed by us. After giving pro forma effect to the offering of the notes and the 2018 R$ notes, substantially all of the issuer's capitalization will be in the form of long-term indebtedness, in an aggregate amount equivalent to the aggregate gross proceeds of this offering and the outstanding principal amount of the 2014 notes, the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes, the 2042 notes and the 2018 R$ notes.

Construtora Norberto Odebrecht S.A.

Because the issuer is not our subsidiary but is a subsidiary of Odebrecht, the proceeds of this offering will not affect our capitalization, except in respect of our guaranty of the notes. Accordingly, we have not included a column that sets forth our capitalization on an adjusted basis to give effect to the issuance of the notes pursuant to this offering or the offering of the 2018 R$ notes. However, the issuer will rely on our cash flow from operations to pay amounts due in connection with the notes. The following table sets forth our consolidated debt and capitalization at December 31, 2012 on an actual basis, extracted without material adjustment from our condensed interim consolidated financial statements at December 31, 2012, prepared in accordance with Brazilian GAAP:

	At December 31, 2012	
	Actual	
	(*in millions of reais*)	(*in millions of U.S.$*) (1)
Short-term debt (2)	R$469.8	U.S.$229.9
Long-term debt (3)	380.2	186.0
Taxes payable in installments (REFIS) (4) (5)	45.8	22.4
Equity attributable to shareholders of the company	5,889.8	2,882.2
Total capitalization (6)	R$6,785.6	U.S.$3,320.5

(1) Translated for convenience only using the commercial selling rate as reported by the Central Bank at December 31, 2012 for *reais* into U.S. dollars of R$2.0435 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Presentation of Financial and Other Information" and "Exchange Rates."

(2) Includes current portion of long-term debt.

(3) Excludes current portion of long-term debt.

(4) In November 2009, we joined the Tax Amnesty and Refinancing Program (*Programa de Recuperação Fiscal*), or REFIS, a Brazilian government program which offers discounts on the payment of federal tax debts and penalties owed to the Brazilian revenue service (*Receita Federal do Brasil*), or RFB. The total aggregate amount due to RFB was R$192.5 million on the date we entered into an agreement with RFB, of which the outstanding unpaid amounts in the Exceptional Installment Program (PAEX) (the installment program, created by Provisional Measure No. 303 on June 29, 2006, for, among other things, the repayment of unpaid taxes due to the Contribution for Social Security Financing (*Contribuição para o Financiamento da Seguridade Social*) and Social Integration Program (*Programa de Integração Social*) (COFINS/PIS)) are payable over a period 161 monthly installments and the remaining unpaid amount owed to RFB is payable over a period of 11 months. At December 31, 2012, the outstanding balance under this program was R$57.0 million.

(5) Includes current portion of taxes payable in installments.

(6) Total capitalization corresponds to the sum of long-term debt and shareholders' equity.

Except as set forth above, there has been no material change in our capitalization since December 31, 2012.

SELECTED FINANCIAL AND OTHER INFORMATION OF CNO

The following selected financial data have been extracted without material adjustment from our audited consolidated financial statements at and for the years ended (1) December 31, 2012 and 2011, and the notes thereto and (2) December 31, 2011 and 2010, and the notes thereto, in each case, prepared in accordance with Brazilian GAAP. This selected financial data also contains unaudited data in the sections "Other Data." This selected financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of CNO" and our consolidated financial statements included elsewhere in this offering memorandum.

Brazilian GAAP differs in certain significant respects from accounting practices adopted in the United States, or U.S. GAAP, and IFRS. Such differences might be material to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP. For a discussion of certain differences between Brazilian GAAP and U.S. GAAP, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP." We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between Brazilian GAAP and U.S. GAAP or IFRS, and how those differences might affect the financial information included herein.

	For the years ended December 31,			
	2012 (1)	**2012**	**2011**	**2010**
	(*in U.S.$*)	(*in reais*)		
	(*amounts expressed in millions, except financial ratios*)			
STATEMENT OF INCOME				
Gross service revenues				
Domestic market	5,422.9	11,081.7	9,916.9	6,936.7
Foreign market	8,880.7	18,147.8	12,282.7	9,726.6
	14,303.6	29,229.5	22,199.6	16,663.3
Taxes and contributions on services	(252.7)	(516.4)	(676.9)	(456.1)
Net service revenues	14,051.0	28,713.1	21,522.7	16,207.2
Cost of services rendered	(11,879.6)	(24,275.9)	(17,905.4)	(13,449.8)
Gross profit	2,171.4	4,437.2	3,617.3	2,757.5
Operating expenses	(972.7)	(1,987.7)	(1,683.4)	(1,398.1)
General and administrative expenses	(935.9)	(1,912.4)	(1,653.9)	(1,360.5)
Management's remuneration	(36.8)	(75.3)	(29.5)	(37.7)
Operating profit before equity interests and financial results, net	1,198.7	2,449.5	1,933.9	1,359.3
Results from investments in associated companies				
Equity in the results of investees	(2.1)	(4.3)	(39.7)	293.2
Dividends received and others	–	–	–	35.8
Financial result				
Financial result, net	(318.7)	(651.2)	(503.7)	(185.5)
Operating profit before other income, net	877.9	1,794.0	1,390.5	1,502.8
Other income (expenses), net	(22.3)	(45.6)	(31.0)	127.4
Income before social contribution and income tax	855.6	1,748.4	1,359.5	1,630.3
Social contribution	(21.1)	(43.1)	(3.1)	(75.6)
Income tax	(377.3)	(771.1)	(437.5)	(330.7)
Net income	**457.2**	**934.2**	**918.9**	**1,224.1**
Net income attributable to:				
Stockholders of the company	433.2	885.3	905.6	1,190.8
Minority interest	24.0	48.9	13.3	33.3
	457.2	934.2	918.9	1,224.1
OTHER DATA (unaudited)				
Gross margin (2)	15.5%	15.5%	16.8%	17.0%
EBITDA (3)	1,406.6	2,874.5	2,297.8	1,804.1
EBITDA margin (4)	10.0%	10.0%	10.7%	11.1%

	At December 31,			
	2012 (1)	**2012**	**2011**	**2010**
	(*in U.S.$*)	(*in reais*) (*amounts expressed in millions*)		
BALANCE SHEET DATA				
Assets				
Current Assets				
Cash and cash equivalents	3,439.6	7,028.8	6,708.5	4,580.7
Financial investments	17.1	34.9	41.8	129.0
Trade accounts receivable	3,045.5	6,223.5	4,179.3	3,845.0
Advances to suppliers, subcontractors and others	705.2	1,441.2	998.8	615.5
Taxes recoverable	347.4	709.9	440.1	316.4
Inventories	584.7	1,194.8	655.0	576.2
Current accounts with consortium members	569.7	1,164.2	505.1	272.7
Prepaid expenses	253.8	518.7	262.3	281.6
Other accounts receivable	283.1	578.5	670.1	822.2
Total current assets	**9,246.1**	**18,894.5**	**14,461.0**	**11,439.3**
Non-current assets				
Long-term receivables				
Financial investments	41.8	85.5	80.8	7.4
Odebrecht Organization companies (5)	426.5	871.5	1,144.5	943.0
Trade accounts receivable	344.2	703.3	544.1	528.5
Deferred income tax and social contribution	77.0	157.4	272.8	131.6
Taxes recoverable	12.5	25.5	10.5	15.2
Eletrobrás credits (6)	–	–	267.3	240.7
Other accounts receivable	295.7	604.4	292.7	310.6
	1,197.7	**2,447.6**	**2,612.7**	**2,177.2**
Investments				
Associated companies	664.0	1,356.8	1,355.6	1,424.2
Others	11.3	23.0	51.8	47.7
Property and equipment	908.1	1,855.7	1,774.4	1,396.3
Intangible assets	25.6	52.4	73.0	96.2
Total non-current assets	**2,806.7**	**5,735.5**	**5,867.5**	**5,141.6**
Total assets	**12,052.9**	**24,630.0**	**20,328.5**	**16,580.9**

	At December 31,			
	2012 (1)	**2012**	**2011**	**2010**
	(*in U.S.$*)		(*in reais*)	
	(*amounts expressed in millions, except financial ratios*)			
Liabilities and stockholders' equity				
Current Liabilities				
Debts	229.9	469.8	753.7	688.3
Suppliers and subcontractors	1,875.8	3,833.1	2,779.7	1,906.6
Taxes, rates, salaries and payroll charges	983.5	2,009.7	1,668.8	1,188.8
Management profit sharing	6.1	12.5	14.9	12.5
Provisions for contingencies	38.0	77.6	98.9	115.0
Advances from customers	1,926.3	3,936.5	3,115.6	1,329.8
Current accounts with consortium members	162.0	331.0	181.1	722.0
Other accounts payable	116.3	237.8	357.5	479.7
Total current liabilities	**5,337.9**	**10,908.0**	**8,970.2**	**6,442.9**
Non current liabilities				
Long-term liabilities				
Odebrecht Organization companies (5)	146.8	300.0	174.1	175.6
Debts	186.0	380.2	483.8	763.0
Advances from customers	3,176.4	6,490.9	5,128.7	4,330.5
Deferred income tax and social contribution	139.9	285.8	350.5	493.0
Suppliers and subcontractors	48.0	98.0	87.6	72.0
Provisions for contingencies	7.6	15.6	8.7	34.0
Taxes payable in installments (REFIS)	22.4	45.8	53.4	201.9
Provision for losses on investments	–	–	–	9.4
Long-term incentives	–	–	4.3	4.3
Other accounts payable	98.2	200.8	186.7	86.5
Total non current liabilities	**3,825.3**	**7,817.0**	**6,477.8**	**6,170.4**
Minority interest	**7.4**	**15.2**	**18.9**	**44.6**
Stockholders' equity				
Capital	1,021.2	2,086.9	2,096.6	1,113.1
Revenue reserves	1,638.3	3,347.8	2,548.7	2,879.6
Carrying value adjustments	222.7	455.1	216.3	(69.8)
Retained earnings	–	–	–	–
	2,882.2	**5,889.8**	**4,861.6**	**3,923.0**
Total liabilities and stockholders' equity	**12,052.8**	**24,630.0**	**20,328.5**	**16,580.9**
OTHER DATA (unaudited)				
Net debt/EBITDA ratio (7)	(2.19)	(2.19)	(2.43)	(1.81)
Net debt/EBITDA ratio including CNO guaranty of notes (8)	0.005	0.005	(0.84)	(0.34)

(1) Solely for the convenience of the reader, Brazilian *real* amounts at and for the periods ended December 31, 2012 have been translated into U.S. dollars at the commercial selling rate at December 31, 2012, of R$2.0435 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

(2) Gross margin represents gross profit divided by net service revenues.

(3) EBITDA means net service revenues, *minus* cost of services rendered, *minus* general and administrative expenses, *plus* any depreciation or amortization included in cost of sales and services rendered or general and administrative expenses. Although EBITDA is not a measurement under Brazilian GAAP, our management believes that EBITDA serves as an important financial analysis tool for measuring our performance in several areas, including liquidity, operating performance and leverage. EBITDA is commonly used by financial analysts in evaluating our business. EBITDA should not be considered in isolation or as a substitute for net income as a measure of performance, cash flow from operating activities or other measures of liquidity determined in accordance with Brazilian GAAP. EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is calculated as follows:

	For the years ended December 31,			
	2012(1)	**2012**	**2011**	**2010**
	(*in U.S.$*)	(*in reais*) (*amounts expressed in millions*)		
Net service revenues	14,050.9	28,713.1	21,522.7	16,207.2
Cost of services rendered	(11,879.6)	(24,275.9)	(17,905.4)	(13,449.8)
General and administrative expenses (9)	(972.7)	(1,987.7)	(1,683.4)	(1,398.1)
Depreciation/amortization	208.0	425.0	363.9	444.8
EBITDA	1,406.6	2,874.5	2,297.8	1,804.1

(4) EBITDA margin is calculated by dividing EBITDA by our total net service revenues, expressed as a percentage.

(5) Certain Odebrecht Group companies have entered into a "current account and single cash management agreement." Pursuant to this agreement, we remit cash to Odebrecht, which can be invested by Odebrecht in other companies of the Odebrecht Group and these liabilities are accounted for in the non-current liability account, Odebrecht Organization companies.

(6) For an explanation of the "Eletrobrás credits" line item, please see note 10 to our financial statements at and for the years ended December 31, 2012 and 2011 included elsewhere in the offering memorandum.

(7) Net debt/EBITDA ratio at December 31, 2012, 2011 and 2010 is calculated by dividing (1) our consolidated net debt at the end of the applicable year by (2) our consolidated EBITDA for the corresponding year. Net debt means total short and long-term debt less cash and cash equivalents, and less financial investments.

(8) Net debt/EBITDA ratio including CNO's guaranty of notes at December 31, 2012, 2011 and 2010 is calculated by dividing (1) the sum of (x) our consolidated net debt at the end of the applicable year and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guarantee:

(i) at December 31, 2010: (A) U.S.$400.0 million of the 2017 notes, (B) U.S.$200.0 million of the 2014 notes, (C) U.S.$500.0 million of the 2020 notes and (D) U.S.$500.0 million of the perpetual notes;

(ii) at December 31, 2011: (A) U.S.$112.8 million of the 2017 notes, (B) U.S.$41.8 million of the 2014 notes, (C) U.S.$500.0 million of the 2020 notes, (D) U.S.$750.0 million of the perpetual notes and (E) U.S.$500.0 million of the 2023 notes; and

(iii) at December 31, 2012: (A) U.S.$41.8 million of the 2014 notes, (B) U.S.$118.6 million of the 2020 notes, (C) U.S.$750.0 million of the perpetual notes, (D) U.S.$729.0 million of the 2023 notes, (E) U.S.$600.0 million of the 2022 notes and (F) U.S.$850 million of the 2042 notes;

by (2) our consolidated EBITDA for the corresponding year.

(9) For the years ended December 31, 2011 and 2010, general and administrative expenses include management's remuneration and management profit sharing. For the year ended December 31, 2012, general and administrative expenses include management's remuneration only.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CNO

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements at and for the years ended (1) December 31, 2012 and 2011 and the notes thereto and (2) December 31, 2011 and 2010 and the notes thereto, prepared in accordance with Brazilian GAAP, as well as with the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Information of CNO."

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

The discussion and analysis of our financial condition and results of operations has been organized to present the following:

- the principal factors that influence our results of operations, financial condition and liquidity;
- a review of our financial presentation and critical accounting policies;
- a discussion of the principal factors that influence our results of operations;
- a discussion of our results of operations for the years ended December 31, 2012, 2011 and 2010;
- a discussion of our liquidity and capital resources, including our working capital at December 31, 2012 and December 31, 2011, our cash flows for the years ended December 31, 2012, 2011 and 2010, and our material short-term and long-term indebtedness at December 31, 2012 and December 31, 2011;
- a discussion of our capital expenditures and our contractual commitments; and
- a qualitative and quantitative discussion of market risks that we face.

Financial Presentation and Critical Accounting Policies

Our financial information contained in this offering memorandum has been derived from our records and financial statements, and includes our:

- consolidated financial statements at and for the years ended December 31, 2012 and 2011, and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors, as stated in their report included elsewhere in this offering memorandum; and
- consolidated financial statements at and for the years ended December 31, 2011 and 2010, and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors, as stated in their report included elsewhere in this offering memorandum.

Brazilian GAAP differs in certain significant respects from accounting practices adopted in the United States, or U.S. GAAP, and IFRS. Such differences might be material to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP. For a discussion of certain differences between Brazilian GAAP and U.S. GAAP, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP." We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between Brazilian GAAP and U.S. GAAP or IFRS, and how those differences might affect the financial information included herein.

The presentation of our financial condition and results of operations requires our management to make certain judgments regarding the effects of matters that are inherently uncertain and that affect the book value of our assets and liabilities, including the percentage of completion of the construction projects in which we are engaged. Certain of our accounting policies require higher degrees of judgment than others in their application. Actual results may differ from those estimated depending upon the variables, assumptions or conditions used by our management. In order to provide an understanding regarding how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, we have included comments related to certain of our critical accounting policies described below.

Revenue Recognition for Construction Contracts

The majority of our contracts with our customers are either "unit price" or "fixed price." Under unit price contracts, we are committed to provide materials or services required by a project at unit prices (for example, dollars per cubic meter of concrete or cubic meter of earth excavated). While unit price contracts shift the risk of estimating the quantity of units required for a particular project to the customer, any increase in our unit cost over the unit price bid, whether due to inflation, inefficiency, faulty estimates or other factors, is borne by us unless otherwise provided in the contract. Fixed-price contracts are priced on a lump-sum basis under which we bear the risk that we may not be able to perform all of the work for the specified contract amount. Nearly all government or quasi-government contracts and many other contracts to which we are party provide for termination of the contract at the convenience of the party contracting with us, with provisions to pay us for work performed through the date of termination.

Revenues and earnings on construction contracts are recognized on the percentage of completion method based upon the ratio of costs incurred to estimated final costs. Provisions are recognized in the statement of income for the full amount of estimated losses on uncompleted contracts whenever evidence indicates that the estimated total cost of a contract exceeds its estimated total revenues. Contract costs are recognized as they are incurred and consist of direct costs on contracts, including labor and materials, amounts payable to subcontractors, direct overhead costs and equipment expense (primarily depreciation, fuel, maintenance and repairs).

Revenues from contract claims for cost overruns are recognized when we have signed a settlement agreement and payment is assured, or on certain occasions, when an independent appraiser agrees with our assessment of the likelihood of collection and on the value of the claim.

The accuracy of our revenue and profit recognition in a given period is dependent on the accuracy of our estimates of the cost to complete each project. Our cost estimates use a highly detailed "bottom up" approach, and we believe our experience allows us to regularly produce materially reliable estimates. However, our projects can be highly complex, and in most cases, the profit margin estimates for a project will either increase or decrease to some extent from the amount that was originally estimated at the time of bid.

Factors that can contribute to changes in estimates of contract cost and profitability include site conditions that differ from those assumed in the original bid (to the extent that contract remedies are unavailable), the availability and skill level of workers in the geographic location of the project, the availability and proximity of materials, the accuracy of the original bid and subsequent estimates, inclement weather and timing and coordination issues inherent in all projects. The foregoing factors as well as the stage of completion of contracts in process and the mix of contracts at different margins may cause fluctuations in gross profit between periods and these fluctuations may be significant.

Construction Consortia

We participate in various construction consortia in order to share expertise, risk and resources for certain highly complex projects. The consortium agreements typically provide that our interests in any profits and assets, and our respective share in any losses and liabilities that may result from the performance of the contract, are limited to our stated percentage interest in the project.

The consortium's contract with the project owner typically requires joint and several liabilities among the consortium members. Our agreements with our consortia partners provide that each party will assume and pay its full proportionate share of any losses resulting from a project. However, if one of our partners is unable to pay its

proportionate share, we remain liable under the contract to the project owner. Circumstances that could lead to a loss under these guaranty arrangements include a partner's inability to contribute additional funds to the consortium in the event that the project incurred a loss or additional costs that we could incur should the partner fail to provide the services and resources toward project completion that had been committed to in the consortium agreement.

Under each consortium agreement, one partner is designated as the lead member of the consortium. The lead member typically provides all administrative, accounting and most of the project management support for the project and generally receives a fee from the consortium for these services. We have been designated as the lead member in most of our ongoing consortia projects.

Valuation of Permanent Assets (Other Than Long-Term Investments)

We are required to determine if operating income is sufficient to absorb the depreciation and amortization of long-term assets, within the context of our balance sheet as a whole, in order to assess potential asset impairment. If operating income is insufficient, within the context of permanent assets, to recover depreciation and amortization as a result of permanent impairment of assets, the assets, or group of assets, are required to be written down to recoverable values, preferably based on the projected discounted cash flows of future operations.

Valuation of Long-Term Investments

Investments of a permanent nature are recorded at the lower of cost or market. The valuation of these assets is based on quoted market prices, when available. If quoted market prices are not available, we determine the value of investments by reference to the quoted market price of comparable instruments, or discount the expected cash flows using market interest rates commensurate with the credit quality and maturity of the investments. Management's valuation determinations take into consideration the respective country's economic situation, past experience and specific risks. Deterioration in economic conditions could adversely affect the market values of these investments.

Contingencies

We are currently involved in certain legal and administrative proceedings that arise in our ordinary course of business, as described in note 20 to our audited consolidated financial statements at and for the years ended December 31, 2012 and 2011. Some of these proceedings involve amounts that are material to our financial statements. We believe that the extent to which these contingencies are recognized in our financial statements is adequate. It is our policy to record accrued liabilities for contingencies that are deemed probable to create a material adverse impact on the result of our operations or our financial condition.

We are also involved in several legal and administrative proceedings, which are intended to obtain legal benefits or defend our legal rights with respect to tax legislation, which we believe to be unjust or unconstitutional as applied to us. We consider these issues to be contingent gains, which we do not recognize in our financial statements until the contingency has been resolved. When we have been granted the temporary right not to pay the disputed amounts or to offset the disputed amounts that have already been paid against current tax obligations, we continue to maintain a liability for the disputed amounts until the contingency has been fully resolved. We also accrue interest in arrears on the liability, using the applicable interest rate defined in the tax law.

Principal Factors Affecting Our Results of Operations

Pricing of our Services

Engineering and construction contracts can be broadly categorized as fixed-price, sometimes referred to as lump sum, or cost reimbursable (i.e., unit price) contracts. Some contracts can involve both fixed-price and cost reimbursable elements.

Fixed-price contracts are for a fixed sum to cover all costs and any profit element for a defined scope of work. Fixed-price contracts entail more risk to a contractor, such as our company, as it must determine both the

quantities of work to be performed and the costs associated with executing the work. The risks to us in fixed-price engineering and construction contracts and fixed-price turnkey contracts (*i.e.*, contracts under which we are obligated to complete a project according to pre specified criteria for a fixed price) arise principally from the following factors: (1) technical complexities; (2) bidding a fixed-price before (i) locking in the price, (ii) delivery of significant procurement components and (iii) finalizing subcontractors' agreements, even though a margin to cover uncertainties is usually included in the price; (3) coordination of multiple subcontractors; and (4) labor availability and productivity, as well as significant liquidated damages for delays.

Cost reimbursable contracts include contracts in which the price is based upon actual costs incurred for time and materials, or for variable quantities of work priced at defined unit rates. Profit elements on cost reimbursable contracts may be based upon a percentage of costs incurred and/or a fixed amount. Cost reimbursable contracts are generally less risky than fixed-price contracts, as the project owner retains many of the risks. Although fixed-price contracts involve greater risk, they also are potentially more profitable, as the project owners pay a premium to transfer certain risks to the contractor.

We incur general administrative expenses in developing our backlog of construction projects. We refer to these expenses as marketing development expenses, and they include personnel costs, travel expenses and third-party consulting and other expenses. We record these marketing development expenses in the period in which they are incurred, although they generally benefit future periods (to the extent that we successfully enter into a construction contract for a project in which we incur these expenses) or may not generate eventual revenues (to the extent we are unsuccessful in a competitive bidding situation for a particular construction project).

Growth of Brazil's Gross Domestic Product and Domestic Demand for Our Products

Our net service revenues in Brazil represented 36.8% and 43.2% of our total net service revenues in the years ended December 31, 2012 and 2011, respectively. As a Brazilian company with substantial operations in Brazil, we are significantly affected by economic conditions in Brazil. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate in Brazil of the gross domestic product, or GDP, because the level of spending on infrastructure projects is significantly affected by GDP growth and by Brazilian governmental policies.

In 2009, GDP in Brazil decreased by 0.2%. In 2010, GDP in Brazil increased by 7.5%, and in 2011, it increased by 2.7%. In 2012, GDP in Brazil increased by 0.9%.

Brazilian GDP growth has fluctuated significantly. Our management believes that due to the global economic downturn that began in the end of 2008, a reduction in government spending in infrastructure or a recession could negatively affect our future net service revenues and results of operations.

Growth of Infrastructure Spending and Available Financing in Other Emerging Markets

Our net service revenues outside Brazil represented 63.2% and 56.8% of our total net service revenues in the years ended December 31, 2012 and 2011, respectively.

We are active in Venezuela and Angola. As each of these areas has significant oil reserves, the availability of funding for infrastructure in these markets is highly dependent on the price of oil. If oil prices were to increase, government funding for infrastructure tends to increase. However, if oil prices were to suffer a reduction, this would likely reduce available government spending for infrastructure in these markets and likely reduce our revenues accordingly.

Our revenues in other emerging markets, including Peru, Argentina, Dominican Republic, Panama and Colombia, are impacted by GDP growth in these countries, as well as by financing alternatives for infrastructure development in these markets. For example, we have financed projects in Peru with funding from multilateral financial institutions, including the IDB and CAF, as well as with long-term funding from domestic capital markets offerings in Peru which are subscribed to by Peruvian pension funds and insurance companies. If GDP growth in emerging markets countries were to falter or available financing were to be reduced or eliminated, this would

adversely affect our revenues in these markets. The global economic downturn that began in the end of 2008 may lead to a decrease in the number of new projects awarded, as well as delays or cancellations of major projects awarded (but not commenced). We believe that our diversification in various emerging markets helps to minimize risks associated with any single market. However, this diversification may not be sufficient to withstand a more widespread regional or global economic downturn.

Effects of Fluctuations in Exchange Rates between the Real and the U.S. Dollar

Virtually all of our service revenues from our international construction projects are expressed in U.S. dollars. Our net revenues from construction projects outside Brazil represented 63.2% and 56.8% of our total net service revenues in the years ended December 31, 2012 and 2011, respectively. When the *real* appreciates against the U.S. dollar, our U.S. dollar revenues, when converted to *reais*, decrease. Conversely, when the *real* depreciates against the U.S. dollar, our U.S. dollar revenues, when converted into *reais*, increase. Such currency fluctuations could impact our operating margins. Accordingly, in order to mitigate the impact of currency fluctuations, we often enter into hedges against exchange rate fluctuations.

Any major devaluation of the *real* against the U.S. dollar would significantly increase our financial expenses and our short-term and long-term indebtedness, as expressed in *reais.* At December 31, 2012, R$673.3 million, or 79.2%, of our total debt was denominated in foreign currencies, such as U.S. dollars and other currencies. Conversely, any major appreciation of the *real* against the U.S. dollar would significantly decrease our financial expenses and our short-term and long-term indebtedness, as expressed in *reais.*

Our net revenues from sales and services earned outside Brazil, which enable us to generate receivables payable in U.S. dollars, tend to provide a hedge against a portion of our U.S. dollar-denominated debt service obligations. Accordingly, we try to match revenues and costs in the same currencies, so that we can mitigate the risks of currency fluctuations. When this is not possible, we often enter into hedging contracts to mitigate exchange rate fluctuations.

In addition to hedging contracts that limit our exposure to exchange rate fluctuations, we also enter into hedging contracts that limit our exposure to interest rate variation. We do not enter into any speculative hedging arrangements.

Inflation in Brazil affects our financial performance by increasing some of our operating expenses denominated in *reais* (and not linked to the U.S. dollar). A portion of our costs of sales and services rendered, however, are linked to the U.S. dollar and are not substantially affected by the Brazilian inflation rate.

Effect of Level of Indebtedness and Interest Rates

At December 31, 2012, our total outstanding consolidated indebtedness was U.S.$416.0 million (U.S.$3,505.4 million if we include Odebrecht Finance's (1) U.S.$41.8 million of the 2014 notes, (2) U.S.$118.6 million of the 2020 notes, (3) U.S.$750.0 million of the perpetual notes, (4) U.S.$729.0 million of the 2023 notes, (5) U.S.$600.0 million of the 2022 notes and (6) U.S.$850.0 million of the 2042 notes). Net financial results consist of interest expense or interest income, foreign exchange losses or gains and other items as set forth in note 17 to our audited consolidated financial statements at and for the years ended December 31, 2012 and 2011. Our net financial results do not include the debt securities issued by Odebrecht Finance. In the year ended December 31, 2012, we recorded a net financial loss of R$651.2 million, of which R$487.5 million consisted of financial investments income, R$1,068.5 million consisted of exchange variation expense, R$702.5 million, consisted of exchange variation income, R$189.0 million consisted of interest expense, R$139.5 million consisted of bank commissions and R$444.2 million consisted of other financial expense. The interest rates that we pay depend on a variety of factors, including prevailing Brazilian and international interest rates and our risk assessments, our industry and the Brazilian and emerging market economies made by potential lenders to our company, potential purchasers of our debt securities and the rating agencies that assess our company and our debt securities.

Results of Operations

Year ended December 31, 2012 compared to the year ended December 31, 2011

The following table summarizes our consolidated results for the years indicated as a percentage of our net service revenues.

	For the years ended December 31,	
	2012	**2011**
Net service revenues	100.0%	100.0%
Cost of services rendered	(84.5)%	(83.2)%
Gross margin	15.5%	16.8%
General and administrative expense (including management's remuneration and management profit sharing)	(6.9)%	(7.8)%
Financial expense, net	(2.3)%	(2.3)%
Income before social contribution and income tax	6.1%	6.3%
Net income	3.3%	4.3%

Net Service Revenues

	For the years ended December 31,	
	2012	**2011**
	(*amounts expressed in millions of reais*)	
Net service revenues		
Domestic market	10,569.7	9,291.9
Foreign market	18,143.4	12,230.8
Total	28,713.1	21,522.7

Our net service revenues increased by 33.4% to R$28,713.1 million in 2012, compared to R$21,522.7 million in 2011.

In Brazil, our net service revenues increased by 13.8% to R$10,569.7 million in 2012, compared to R$9,291.9 million in 2011. This increase was primarily due to certain large contracts pursuant to which we started rendering services in 2011 and that are ongoing in 2012, such as the Belo Monte Hydroelectric Power Plant (Xingu river, Pará), the Teles Pires Hydroelectric Power Plant (Mato Grosso), the port in Rio de Janeiro and the utilities at the Comperj petrochemical plant (Rio de Janeiro), the maintenance of petrochemical plants for Braskem and construction work at the Corinthians soccer stadium (São Paulo), as well as new contracts awarded in 2012, such as Metro Line 5 (São Paulo), the Transolympic expressway (Rio de Janeiro) and the Estaleiro Paraguaçu shipyard (Bahia).

Outside Brazil, our net service revenues measured in *reais* increased by 48.3% to R$18,143.4 million in 2012, compared to R$12,230.8 million in 2011, primarily due to certain large contracts pursuant to which we started rendering services in 2011 and that are ongoing in 2012, such as in Argentina (the Potassium Mine for Vale), Angola (the Cambambe Hydroelectric Power Plant and Zango Infrastructure), Panama (Historical Heritage Road), Peru (Electric Train, part 2) and Venezuela (the Nigale Bridge and the Cadca Ethanol Plant), as well as additional contracts awarded in 2012, such as in the United Arab Emirates (Pumping Station), Ecuador (Manduriacu and Daules Vinces Irrigation), the United States (Fort Lauderdale International Airport Project), Mexico (Braskem Ethylene XXI plant), among others. All of our service revenues from international construction projects are expressed in U.S. dollars and are converted into *reais* using the average exchange rate for the relevant period.

Cost of Services Rendered

Our cost of services rendered increased by 35.6% to R$24,275.9 million in 2012, compared to R$17,905.4 million in 2011, generally in line with the growth in our net service revenues. Our cost of services rendered consists of costs incurred in all of our projects. As a result, cost of services rendered were 84.5% of net service revenues in 2012 compared to 83.2% in 2011.

Gross Margin

Our gross margin (gross profit divided by net service revenues) decreased to 15.5% in 2012, compared to 16.8% in 2011.

General and Administrative Expenses

Our general and administrative expenses (including management's remuneration) increased by 18.1% to R$1,987.7 million in 2012, compared to R$1,683.4 million in 2011. This increase was lower than the level of increase in our revenues over the corresponding period.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 16.8% to R$425.0 million in 2012 compared to R$363.9 million in 2011, due mainly to the effects of exchange rate variations relating to certain contracts outside of Brazil and reflecting the increase in capital expenditures in 2012.

Results from Investments in Associated Companies

Our results from investments in associated companies increased from a loss of R$39.7 million in 2011 to a loss of R$4.3 million in 2012. This decrease is mainly due to equity results from our ownership of preferred shares of Braskem, which we indirectly own through our equity investments in Belgravia Empreendimentos Imobiliários S.A. and Odebrecht Serviços e Participações S.A.

Financial Result, Net

Our net financial result increased from an expense of R$503.7 million in 2011 to an expense of R$651.2 million in 2012, primarily due to exchange rate variation, which affected the amount of *reais* we used to pay interest denominated in U.S. dollars.

Other Expenses, Net

Other expenses, net increased from an expense of R$31.0 million in 2011 to an expense of R$45.6 million in 2012. These results were primarily due to the write-off and sales of property and equipment, which were greater in 2012 than in 2011.

Income Before Income Tax and Social Contribution

Income before income tax and social contribution increased by 28.6% to R$1,748.4 million in 2012, compared to R$1,359.5 million in 2011, primarily due to the impact of an increase in our net revenues, financial expenses and results from investments in associated companies, as discussed above.

Income Tax and Social Contribution

Our income tax and social contribution increased by 84.8% to R$814.2 million in 2012, compared to R$440.6 million in 2011, due to the increase in our revenues and gross profit over the period, as discussed above.

Net Income

As a result of the foregoing, we recorded net income of R$934.2 million in 2012, compared to R$918.9 million in 2011, representing an increase of 1.7%.

Year ended December 31, 2011 compared to the year ended December 31, 2010

The following table summarizes our consolidated results for the years indicated as a percentage of our net service revenues.

	For the years ended December 31,	
	2011	**2010**
Net service revenues	100.0%	100.0%
Cost of services rendered	(83.2)%	(83.0)%
Gross margin	16.8%	17.0%
General and administrative expense (including management's remuneration and management profit sharing)	(7.8)%	(8.6)%
Financial expense, net	(2.3)%	(1.1)%
Income before social contribution and income tax	6.3%	10.1%
Net income	4.3%	7.6%

Net Service Revenues

	For the years ended December 31,	
	2011	**2010**
	(*amounts expressed in millions of reais*)	
Net service revenues		
Domestic market	9,291.9	6,520.6
Foreign market	12,230.8	9,686.6
Total	21,522.7	16,207.2

Our net service revenues increased by 32.8% to R$21,522.7 million in 2011, compared to R$16,207.2 million in 2010.

In Brazil, our net service revenues increased by 42.5% to R$9,291.9 million in 2011, compared to R$6,520.6 million in 2010. This increase was primarily due to certain large contracts pursuant to which we started rendering services in 2011, such as the Belo Monte Hydroelectric Power Plant (Xingu river, Pará), the Teles Pires Hydroelectric Power Plant (Mato Grosso), the port in Rio de Janeiro and the utilities at the Comperj petrochemical plant (Rio de Janeiro), the maintenance of petrochemical plants for Braskem and construction work at the Corinthians soccer stadium (São Paulo), among others.

Outside Brazil, our net service revenues measured in *reais* increased by 26.2% to R$12,230.8 million in 2011, compared to R$9,688.6 million in 2010, primarily due to certain large contracts pursuant to which we started rendering services in 2011, such as in Argentina (the Potassium Mine for Vale), Angola (the Cambambe Hydroelectric Power Plant and Zango Infrastructure), Panama (Historical Heritage Road), Peru (Electric Train, part 2) and Venezuela (the Nigale Bridge and the Cadca Ethanol Plant). All of our service revenues from international construction projects are expressed in U.S. dollars and are converted into *reais* using the average exchange rate for the relevant period.

Cost of Services Rendered

Our cost of services rendered increased by 33.1% to R$17,905.4 million in 2011, compared to R$13,449.8 million in 2010, in line with the growth in our net service revenues. Our cost of services rendered consists of costs

incurred in all of our projects. As a result, cost of services rendered were 83.2% of net service revenues in 2011 compared to 83.0% in 2010.

Gross Margin

Our gross margin (gross profit divided by net service revenues) remained stable, decreasing to 16.8% in 2011, compared to 17.0% in 2010.

General and Administrative Expenses

Our general and administrative expenses (including management's remuneration and management profit sharing) increased by 20.4% to R$1,683.4 million in 2011, compared to R$1,398.1 million in 2010. This increase was related to (1) a substantial increase in our backlog from U.S.$26,128.1 million at December 31, 2010 to U.S.$32,390.1 million at December 31, 2011, which resulted in an increase in our marketing development expenses, including expenses related to personnel, travel, third party consulting and other services and (2) the larger size of the projects we were engaged in 2011, which in turn required us to hire more back-office personnel and contract additional third-party services.

Depreciation and Amortization

Our depreciation and amortization expenses decreased by 18.2% to R$363.9 million in 2011, compared to R$444.8 million in 2010, due mainly to effects of exchange variation in certain contracts outside of Brazil.

Financial Expenses, Net

Our net financial result increased from an expense of R$185.5 million in 2010 to an expense of R$503.7 million in 2011, primarily due to exchange rate variation, which affected the amount of *reais* we used to pay interest denominated in U.S. dollars. Exchange rates followed different directions in 2011 compared to 2010: the *real* fluctuated in 2010 while the *real* depreciated in 2011.

Results from Investments in Associated Companies

Our results from investments in associated companies decreased from a gain of R$329.0 million in 2010 to a loss of R$39.7 million in 2011. This decrease is mainly due to equity results from our ownership of preferred shares of Braskem, which we indirectly own through our equity investments in Belgravia Empreendimentos Imobiliários S.A. and Odebrecht Serviços e Participações S.A.

Other Income (Expenses), Net

Other income (expenses), net decreased from income of R$127.4 million in 2010 to an expense of R$31.0 million in the 2011. These results were primarily due to the write-off of property and equipment, which were greater in 2011 than in 2010.

Income Before Income Tax and Social Contribution

Income before income tax and social contribution decreased by 16.6% to R$1,359.5 million in 2011, compared to R$1,630.3 million in 2010, primarily due to the net financial income recorded in 2011 compared to the net financial expense recorded in 2010, as well as the decrease in our results from investees.

Income Tax and Social Contribution

Our income tax and social contribution increased by 8.4% to R$440.6 million in 2011, compared to R$406.3 million in 2010, due to the appreciation of the dollar during the period.

Net Income

As a result of the foregoing, we recorded net income of R$918.9 million in 2011, compared to R$1,224.1 million in 2010, representing a decrease of 24.9%.

Liquidity and Capital Resources

Our principal cash requirements consist of the following:

- working capital needs;
- the servicing of our indebtedness, including guaranties provided in respect of the indebtedness of certain of our subsidiaries and other entities;
- advances to suppliers and subcontractors;
- capital expenditures related to investments in operations and maintenance of equipment and facilities; and
- dividend payments.

Our principal sources of liquidity consist of the following:

- cash flows from operating activities;
- advances from customers;
- short-term and long-term borrowings;
- collection of overdue accounts receivable; and
- sales of non-strategic assets.

At December 31, 2012, our cash and cash equivalents and financial investments totaled R$7,149.2 million, as compared to R$6,831.1 million at December 31, 2011. This increase was due to our cash generation during 2012.

Net cash provided by operating activities decreased by R$3,106.1 million to a net cash use of R$1,820.6 million in 2012, compared to a net cash use of R$4,926.7 million in 2011, primarily as a result of the increase in trade accounts receivable, which resulted from an increase in our revenues, which have a negative impact in our working capital variation.

Our current assets increased by R$4,433.5 million to R$18,894.5 million at December 31, 2012, compared to R$14,461.0 million at December 31, 2011, primarily due to the increase in our cash and cash equivalents and trade accounts receivable.

We record four types of trade accounts receivable in our accounting records: (1) regular; (2) claims; (3) contractual; and (4) overdue.

- Regular trade accounts receivable are mostly short-term receivables arising in the ordinary course of our business, and have historically represented, on average, 70 days of revenue, which our management believes is standard for the construction industry and the markets in which we operate.

- Claims accounts receivable typically relate to amounts due from clients when there are changes in the original, contracted scope of work. We account for a claim as a receivable in our financial statements after an agreement has been reached with the client with respect to the amount or, on certain occasions, when an independent appraiser agrees with our assessment of the likelihood of our collection and the amount of the claim.

- Contractual (trade account) receivables relate to contractual obligations not yet invoiced, but recorded in accordance with the percentage of completion method.

- Overdue (trade account) receivables were mostly generated between 1988 and 1994, a period of high inflation in Brazil, when we, like many Brazilian construction companies, performed work for Brazilian governmental authorities and state-owned entities, and disagreements often arose regarding the type of indexation to inflation that would be used to adjust amounts owed to us. At December 31, 2012 and December 31, 2011, we had overdue accounts receivable of R$446.2 million and R$456.6 million, respectively. At December 31, 2012, our overdue receivables represented 1.8% of our total assets. Most of our overdue accounts receivable are the subject of protracted litigation, and in certain cases, we are negotiating settlement agreements with these clients. In addition, we make decisions on a case-by-case basis with respect to the write-offs of our overdue accounts receivable in line with Brazilian GAAP.

Our consolidated working capital (current assets minus current liabilities) increased by R$2,495.8 million to R$7,986.6 million at December 31, 2012, compared to R$5,490.8 million at December 31, 2011. The increase in our working capital is primarily due to the variation in our cash and cash equivalents and trade accounts receivables.

At December 31, 2012, our total debt was R$850.0 million, consisting of R$469.8 million in short-term debt and R$380.2 million in long-term debt. At December 31, 2012, our *real*-denominated debt and foreign currency-denominated debt were R$182.8 million and R$667.2 million, respectively. At December 31, 2012, 33.8% of our total debt was secured by collateral (mainly equipment financing). Our total debt, at December 31, 2012, excludes our guaranty of the 2014 notes, the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes and 2042 notes.

At December 31, 2011, our total debt was R$1,237.5 million, consisting of R$753.7 million in short-term debt and R$483.8 million in long-term debt. At December 31, 2011, our *real*-denominated debt and foreign currency-denominated debt were R$310.8 million and R$926.8 million, respectively. At December 31, 2011, 19.0% of our total debt was secured by collateral (mainly equipment financing). Our total debt, at December 31, 2011, excludes our guaranty of the 2017 notes, the 2014 notes, the 2020 notes, the perpetual notes and the 2023 notes.

The decrease in our short-term debt at December 31, 2012 compared to December 31, 2011 was due to the payment and prepayment of certain debt in 2012. This also explains the decrease in our long-term debt at December 31, 2012 compared to December 31, 2011. The following table sets forth, at December 31, 2012, our outstanding principal obligations in foreign currencies and *reais* maturing in the years ending December 31, 2013, 2014, 2015 and 2016 and thereafter (excluding our guaranties of the 2017 notes, the 2014 notes, the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes and the 2042 notes).

	At December 31,			
	2013	**2014**	**2015**	**2016 and after**
		(*in millions of reais*)		
Local Currency	42.8	38.6	32.2	63.0
Foreign Currencies (1)	427.0	192.1	12.1	42.2
Total	469.8	230.7	44.3	105.2

(1) Indebtedness denominated in U.S. dollars was translated for convenience only using the commercial selling rate as reported by the Central Bank at December 31, 2012 for *reais* into U.S. dollars of R$2.0435 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See “Presentation of Financial and Other Information” and “Exchange Rates.”

We may use available cash and cash equivalents to repay existing short-term indebtedness. In addition, we are party to two revolving credit facility agreements in the aggregate principal amount of U.S.$850.0 million that we may draw upon from in order to pay outstanding short-term indebtedness. See "—Standby Facilities."

Guaranteed Notes (the 2014, 2020, 2022, 2023 and 2042 notes)

On April 9, 2009, Odebrecht Finance issued the 2014 notes. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 9.625% per annum and is payable semi-annually, in arrears, on April 9 and October 9 of each year, beginning on October 9, 2009. At December 31, 2012, the outstanding aggregate principal amount of the 2014 notes was U.S.$41.8 million.

On October 21, 2009, Odebrecht Finance issued the 2020 notes. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 7.00% per annum and is payable semi-annually, in arrears, on April 21 and October 21 of each year, beginning on April 21, 2010. At December 31, 2012, the outstanding aggregate principal amount of the 2020 notes was U.S.$118.6 million.

On April 5, 2011 and January 26, 2012, Odebrecht Finance issued the 2023 notes. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 6.00% per annum and is payable semi-annually, in arrears, on April 5 and October 5 of each year, beginning on April 21, 2011. At December 31, 2012, the outstanding aggregate principal amount of the 2023 notes was U.S.$729.0 million.

On June 26, 2012, Odebrecht Finance issued the 2022 notes. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 5.125% per annum and is payable semi-annually, in arrears, on June 26 and December 26 of each year, beginning on December 26, 2012. At December 31, 2012, the outstanding aggregate principal amount of the 2022 notes was U.S.$600.0 million.

On June 26, 2012 and November 1, 2012, Odebrecht Finance issued the 2042 notes. We provided an unconditional guaranty of these notes. Interest on the initial accrues at a rate of 7.125% per annum and is payable semi-annually, in arrears, on June 26 and December 26 of each year, beginning on December 26, 2012. At December 31, 2012, the outstanding aggregate principal amount of the 2042 notes was U.S.$850.0 million.

These notes include covenants that restrict our and our subsidiaries' ability to create liens and allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another entity only if we comply with certain requirements.

Tender Offer and Consent Solicitation

We used the net proceeds from the sale of U.S.$450.0 million of the 2042 notes that took place on November 1, 2012 to purchase the (1) 2020 notes and (2) 2023 notes, that holders tendered in connection with a cash "exit" tender offer, or the tender offer, launched by Odebrecht Finance on October 22, 2012 relating to the (1) 2020 notes and (2) 2023 notes. Concurrently with the tender offer, we sought a consent solicitation to adopt certain amendments to the indenture governing the 2020 notes to eliminate substantially all of their restrictive covenants, as well as various events of default and related provisions contained therein.

Odebrecht Finance's obligation to purchase the tendered (1) 2020 notes and (3) 2023 notes was conditioned on the satisfaction or waiver of certain conditions, including solely with respect to the 2023 notes, a maximum amount of 2023 notes tendered that it would accept based, in part, on the amount of 2020 notes that were tendered.

Following the tender offer of the 2020 notes and 2023 notes, the outstanding principal amount under the 2020 notes and 2023 notes is U.S.$118.6 million and U.S.$729.0 million, respectively. The consent solicitation relating to the 2020 notes eliminated substantially all of its restrictive covenants under the indenture governing these notes, as well as various events of default and related provisions contained therein.

Perpetual Notes

On September 14, 2010 and November 9, 2011, Odebrecht Finance issued the perpetual notes in an aggregate principal amount of U.S.$750.0 million. We provided an unconditional guaranty of the perpetual notes, which have no maturity date but are callable (in whole or in part) by Odebrecht Finance on any date commencing on the fifth anniversary of their original issuance date. The perpetual notes include covenants that restrict our and our subsidiaries' ability to create liens and allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another entity only if we comply with certain requirements. The perpetual notes do not include any financial covenants and do not limit our ability to incur indebtedness.

Standby Facilities

On June 28, 2012, OOL, our subsidiary, entered into a U.S.$245.0 million revolving credit facility agreement with certain financial institutions parties thereto, including affiliates of certain of the initial purchasers in this offering, as lenders. We provided an unconditional guaranty of this facility. We are entitled to draw amounts under this facility until June 2015, unless otherwise extended by mutual agreement. Outstanding principal amounts under the facility accrue interest at LIBOR plus a margin that varies according to our debt rating. We pay a monthly commitment fee on undrawn amounts under this facility at a rate equal to 35% of the margin then in effect based on our debt rating. On the date hereof, we did not have any amount drawn under this facility.

On December 13, 2012, OOL entered into a U.S.$605.0 million revolving credit facility agreement with certain financial institutions parties thereto, including affiliates of certain of the initial purchasers in this offering, as lenders. We provided an unconditional guaranty of this facility. We are entitled to draw amounts under this facility until December 2015, unless otherwise extended by mutual agreement. Outstanding principal amounts under the facility accrue interest at LIBOR plus a margin that varies according to our debt rating. We pay a monthly commitment fee on undrawn amounts under this facility at a rate equal to 35% of the margin then in effect based on our debt rating. On the date hereof, we did not have any amount drawn under this facility.

Capital Expenditures

During the year ended December 31, 2012 and 2011, our consolidated capital expenditures totaled R$736.3 million and R$468.1 million, respectively. Our consolidated capital expenditures generally were for our purchase of machinery, equipment and vehicles. We believe that our expected stability in our contract portfolio and the substantial capital expenditures we have made in the last three years will allow our capital expenditures to be consistent with our depreciation expense.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements.

Market Risk

We are exposed to a number of market risks arising from our normal business activities. Such market risks principally involve the possibility that changes in currency exchange rates or interest rates will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rate and prices. We enter into derivatives and other financial instruments for other than speculative purposes, in order to manage and reduce the impact of fluctuations in foreign currency exchange rates. We have established policies and procedures for risk assessment and approval, reporting and monitoring of derivative financial activities.

A significant level of our liabilities and a large portion of our operating expenses are denominated in or linked to U.S. dollars or to other foreign currencies. We believe that our exposure to losses caused by exchange rate variations between the *real* and the U.S. dollar (or such other currencies) is largely mitigated by the significant level of our revenues from projects outside Brazil in U.S. dollars or other foreign currencies (representing 63.2% of our total net revenues in 2012).

We and our subsidiaries participate in transactions involving swap, forward and option transactions for the purpose of hedging against the effects of the exposure in foreign currencies and interest rate and commodity price fluctuations. These transactions generated a negative result in the year ended December 31, 2012 of R$5.4 million. At December 31, 2012, we had derivative operations outstanding in the amount of R$2,468.5 million recorded under the line item “other accounts payable.”

BUSINESS

Overview

We are the largest engineering and construction company in Latin America as measured by 2011 gross revenues, according to ENR. We engage in the construction of large-scale infrastructure and other projects, including the construction of highways, railways, power plants, bridges, tunnels, subways, buildings, port facilities, dams, manufacturing and processing plants, as well as mining and industrial facilities. We provide a variety of integrated engineering, procurement and construction services to clients in a broad range of industries, both within Brazil and internationally. These capabilities enable us to provide clients, individually or as part of a consortium, with single-source, turnkey project responsibility for complex construction projects. We concentrate our construction activities on infrastructure projects, which include projects sponsored by the public and private sectors, as well as concession-based projects.

We undertake projects throughout Brazil, in other Latin American countries (including mainly Venezuela, Peru, Argentina, Panama, Colombia and the Dominican Republic), the United States, Portugal, the United Arab Emirates and certain countries in Africa (mainly Angola). We have participated in the construction of over 193.4 km of bridges, over 53,237 MW of hydroelectric power plants, over 294 km of tunnels, over 12,778 km of roads and over 162 km of subway lines. We reported gross service revenues of R$29,229.5 million (U.S.$14,303.6 million) and EBITDA of R$2,874.5 million (U.S.$1,406.6 million) during the year ended December 31, 2012.

We believe we are:

- Brazil's largest exporter of services with R$18,147.8 million (U.S.$8,880.7 million), or 62.1% of our gross service revenues in 2012, coming from outside Brazil;
- The largest contractor in Latin America, according to ENR, as measured by gross revenues in each region in 2011;
- The world's 13th largest international contractor, according to ENR, as measured by "gross revenues outside the home country" in 2011;
- The world's 24th largest global contractor, according to ENR, as measured by our gross revenues in 2011;
- The world's fourth largest international contractor in the water segment in 2011, according to ENR; and
- The 10th largest international contractor in the transportation segment in 2011, according to ENR.

Principal Subsidiaries

We conduct our engineering and construction operations in 18 countries. Our principal subsidiaries are:

Odebrecht Construction, Inc.

Odebrecht Construction, Inc., a Florida corporation, is involved principally in the construction of public and private works and the supply of related services in the United States.

CBPO Engenharia Ltda.

CBPO Engenharia Ltda., or CBPO, a Brazilian limited liability company, is involved principally in the construction of public and private works and the supply of related services in Brazil.

Construtora Norberto Odebrecht Brasil S.A.

Construtora Norberto Odebrecht Brasil S.A., a Brazilian corporation, is involved principally in the construction of public and private works and the supply of related services in Brazil.

Odebrecht Angola Projectos e Serviços Ltda.

Odebrecht Angola Projectos e Serviços Ltda., an Angolan corporation, is involved principally in the construction of public and private works and the supply of related services in Angola.

Operations

We have completed various important engineering and construction projects in different infrastructure sectors in Brazil, Latin America, Portugal, Africa, the Middle East and the United States.

Engineering, Procurement and Construction Services

We provide a variety of integrated engineering, procurement and construction services to clients in a broad range of industries, both in Brazil and outside Brazil. These capabilities enable us to provide clients, individually or as part of a consortium, with single-source, turnkey project responsibility for complex construction projects. In addition to turnkey projects, we provide services pursuant to various types of contractual arrangements, including contracts offered on a fixed-price, unit price, cost-plus and lump-sum basis. To the extent that we undertake projects as part of a consortium, we are often the leader of the consortium, a position that typically involves the largest scope of work and in some cases enables us to exercise greater influence to manage the risks and control the timing and execution of the project.

As part of our integrated engineering, procurement and construction services, we provide a wide range of basic and detailed engineering services. Basic engineering involves preparation of the technological specifications of the project, while detailed engineering involves preparation of the detailed drawings and construction specifications and identification of lists of materials necessary for the project. Our complex turnkey contracts frequently require the application of a combination of engineering disciplines and expertise, including civil, mechanical, chemical and electrical engineering. Each project is coordinated by an experienced project manager, who is assigned a task force of engineers and personnel with the appropriate expertise necessary for the implementation of the project.

Our integrated engineering, procurement and construction projects often require us to prepare technical studies and assist clients in selecting the appropriate technologies and, in certain cases, in providing the technology for the project. We are also responsible for determining the materials and equipment necessary to complete the project and in making arrangements to procure these materials and equipment. Most projects require that we and our partners in the project provide all of the resources necessary for the project, including technical and administrative personnel, equipment, materials and subcontractors.

We also provide project management services for certain projects, whereby we assume complete responsibility for the management and supervision of the work being performed by other engineering and construction contractors and suppliers. To help coordinate our engineering activities, we use advanced computerized techniques that produce three-dimensional models for design, analysis and drafting applications.

Heavy and Industrial Construction

We are engaged in the construction, engineering and procurement of various infrastructure projects and manufacturing and processing plants. Work typically includes demolition, clearing, excavation, drainage, embankment fill, structural concrete construction, erection of buildings and manufacturing plants, concrete and asphalt paving and tunneling. We concentrate our construction activities on infrastructure projects in Brazil and in several international markets, principally in Latin America and Angola, which include projects sponsored by the public and private sectors, including concession-based projects.

The following table sets forth our consolidated gross revenues by contract type for the periods indicated (in millions of R$):

	For the years ended December 31,		
	2012	2011	2010
		(unaudited)	
Dams & power plants (1)	3,785	3,928	2,517
Transportation (2)	12,631	10,370	8,510
Building & manufacturing plants (3)	1,087	749	851
Assembly & erection (4)	5,318	3,083	2,527
Infrastructure (5)	6,409	4,070	2,258
Total	29,230	22,200	16,663

(1) Including transmission lines.
(2) Ports and airports, bridges, tunnels and overpasses, roads, highways, railways, subways and mass transportation.
(3) Residential buildings and condos, hotels and resorts, stadiums, hospitals, prisons, schools, theaters, commercial and industrial buildings and governmental buildings.
(4) Industrial assembly, onshore and offshore platforms, oil and gas related works.
(5) Sewage and solid waste systems, water treatment plants, canals and irrigation.

The following table sets forth our consolidated gross revenues by location for the periods indicated (in millions of R$):

	For the years ended December 31,		
	2012	2011	2010
		(unaudited)	
Location			
Brazil	11,082	9,917	6,937
Venezuela	6,272	3,410	2,940
Other Latin American countries	8,362	5,646	4,009
United States	462	412	493
Portugal	239	327	353
Angola	2,492	2,068	1,491
Other African countries	268	418	283
Others	53	2	157
Total	29,230	22,200	16,663

We have expanded our business internationally in order to broaden our client base and diversify the risk inherent in relying heavily on the Brazilian market, as well as to increase our revenues denominated in dollars and other currencies. Selective international expansion is an important goal for us. The percentage of our gross service revenues derived from international projects increased from approximately 30.0% in 1992 to 62.1% in 2012.

In the pursuit of our goal of balancing our domestically and internationally generated revenues, we have invested over the past 34 years in increasing our expertise, technology, equipment and human resources that we make available to our international projects. In order to mitigate risks associated with projects located outside Brazil, we seek to undertake projects in conjunction with local partners. We also have established alliances with international construction companies, such as Parsons Corporation and The Haskell Company in the United States, and ABB Group, ACS/Dragados Group and Impregilo Edilizia e Servizi S.p.A. in Europe, among others. We have consolidated our operations in Europe (mainly in Portugal) and in the United States (mainly in Florida). In addition, we generally count on financing from multilateral agencies such as the IDB, CAF and the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, among others.

Major Projects

We have played an active role in the development of the infrastructure sector in Brazil and elsewhere in Latin America as well as in Angola, Portugal and other markets in which we have been active. At December 31, 2012, we had a total of 206 projects underway, 121 of which were located outside Brazil.

We currently have a diversified portfolio of projects in a wide range of sectors in Brazil, including construction of:

- the Estaleiro Paraguaçu shipyard (Bahia), Submarine Project (Rio de Janeiro), the D. Pedro I highway (São Paulo) and the Transnordestina railway (Piauí and Pernambuco);
- the Porto Rio Project (Rio de Janeiro), the Embraport Port (São Paulo), the Transolympic expressway (Rio de Janeiro) and Olympic Park (Rio de Janeiro);
- several projects for Petrobras, including the Renest Refinery and a Polyethylene and a petrochemical plant (Pernambuco), Platforms P-59 and P-60 and the COMPERJ plant (Rio de Janeiro),
- the Santo Antônio Hydroelectric Power Plant (Madeira river, Rondônia), the Belo Monte Hydroelectric Power Plant (Xingu river, Para) and the Teles Pires Hydroelectric Power Plant (Mato Grosso);
- the Ipanema Metro and the Rio Barra Metro in the State of Rio de Janeiro, the São Paulo Metro, Lines IV and V in the State of São Paulo and the Trensurb North Extension, Line 1 in the State of Rio Grande do Sul; and
- Macaé Sewage (Rio de Janeiro), Espírito Santo Sewage II (Espírito Santo) and the Capivari Sewage system- II (São Paulo).

Some of the projects above are included in the Brazilian government's Program for Economic Growth Acceleration (PAC), an investment program that was launched in January 2007 by the Brazilian government, which is aimed at improving the country's infrastructure and is projected to invest substantial amounts in infrastructure projects over the next several years.

On August 11, 2010, as part of the Consortium Maracanã – Rio 2014, we entered into a contract with the State of Rio de Janeiro to refurbish and renovate the Maracanã stadium and its surrounding area in preparations for the 2014 World Cup (U.S.$418.2 million).

In addition, we have entered into three other contracts in connection with stadiums for the 2014 World Cup stadiums: the demolishment and construction of the Fonte Nova Arena (U.S.$103.0 million), the construction of the new Pernambuco Arena (U.S.$300.2 million) and the construction of the Corinthians soccer stadium (U.S.$401.3 million).

Angola

We have an established presence in Angola where we have been operating for over 28 years primarily in infrastructure projects, currently including the construction of the following major projects:

- roads, such as Luanda's Expressways, Marginal Sudeste Road, Catata-Lóvua Road, Benguela Road, Capanda-Cacuso Road, the Golfe Road and the Cuima-Gove Road;
- water and sewage systems, such as Benguela Waters and Luanda Waters;
- Viana Industrial Park;

- Cambambe Hydroelectric Power Plant and Gove Hydroelectric Power Plant;
- logistics and distribution project in Luanda;
- Zango housing project;
- SONAREF project;
- Lauca River detour; and
- Catumbela Airport.

Eleven of the projects underway in Angola have been financed by BNDES, representing approximately 42.5% of our total backlog in that country, which is U.S.$2,715.4 million at December 31, 2012.

Our management believes that increased political stability in Angola following the end of its civil war, coupled with revenues from oil exports and Angola's significant existing infrastructure needs, should provide us with additional opportunities in infrastructure projects in Angola in the coming years. These factors are coupled with the efforts of the Brazilian government to establish closer relations with Angola and the Brazilian government's commitment to increase the volume of Brazilian service exports funded by export credit facilities.

Venezuela

We have operated in Venezuela for the past 20 years despite political and economic volatility in Venezuela during this period. We are currently engaged in several projects in Venezuela, including:

- the El Dilúvio, El Palmar and the El Dilúvio Anzoategui Irrigation Projects;
- the Nigale Bridge;
- the Orinoco III Bridge Project;
- the Cadca Ethanol Mill;
- the Tocoma Hydroelectric Power Plant, which is being partially financed by the IDB;
- the Caracas Metro – Line 3, Line 5 and the Guarenas-Guatire line;
- the Metro Los Teques – Line 2, which is being partially financed by BNDES;
- Gas Anaco; and
- the Puerto de La Cruz Refinery.

Our total backlog in Venezuela is approximately U.S.$10,943.1 million at December 31, 2012.

Our current strategy in Venezuela is to consolidate our work under contract and successfully complete that work. In order to mitigate the risks associated with contracts in progress or to be commenced in Venezuela we seek: (1) contracts with financing that protect us from exchange rate fluctuations; (2) contracts that have been approved by, and are included in the approved Venezuelan federal government budget; (3) projects that are considered development priorities for Venezuela; (4) contracts that generate (or are expected to generate) substantial employment in Venezuela; and (5) projects that pay us a significant down payment.

Our bid success rate for Venezuelan operations is high and reflects our selectivity in bidding for new work in Venezuela. We have a large and diversified backlog in Venezuela, which currently ranks the country, together with Angola, as our two most important foreign markets in terms of future revenues.

Other Countries in Latin America

We view Latin American countries as prospective markets for new opportunities where we can leverage Brazilian geopolitical relations and contribute to meeting the significant basic infrastructure needs in the region. In addition to Venezuela, we currently have a strong presence in Peru, Argentina, the Dominican Republic, Panama, Colombia, Ecuador and Mexico. Among our current projects in Latin America are:

- in Peru, the Chaglla Hydroelectric Power Plant, the metromover in Lima, Irrigation Project in Lambayeque, minerals shipment infrastructure at the Callao port and the Carhuaz highway (total backlog of approximately U.S.$1.2 billion at December 31, 2012);

- in the Dominican Republic, the Bavaro Road, the Cibao Sur, the Ecovias Santiago Road, the North-South Corridor, the Coral Road, the Palomino Hydroelectric Power Plant, Boulevard Turístico de Este Road and the Samaná Aqueduct (total backlog of approximately U.S.$853.8 million at December 31, 2012);

- in Argentina, the Ducts Maintenance for Petrobras, the TGS gas pipeline, the Paraná de Las Palmas Water Treatment Plant and the YPF Repsol Refinery (total backlog of approximately U.S.$1.2 billion at December 31, 2012);

- in Panama, the Metro in Panama City, the Cinta Costera Road, the Historic Heritage Road, the Maden-Colón Road and two water treatment facilities (total backlog of approximately U.S.$1.1 billion at December 31, 2012);

- in Colombia, Ruta del Sol Road, Compros highway and Canoas Sanitation System (total backlog of approximately U.S.$622.0 million at December 31, 2012);

- in Ecuador, Pacific Refinery, the Daule Vinces Irrigation, the Manduriacu Dam, the Ruta Viva highway and the Pucara Hydroelectric Power Plant in Ecuador (total backlog of approximately U.S.$605.1 million at December 31, 2012); and

- in Mexico, the Ethylene XXI plant for Braskem (total backlog of approximately U.S.$1.1 billion at December 31, 2012).

In January 2008, the Cuban branch of Companhia de Obras e Infra-Estrutura, an indirect subsidiary of our company in Brazil, entered into an umbrella agreement with a Cuban entity establishing the general terms for the provision of engineering and construction services in Cuba. Our first project in our backlog in Cuba was the Mariel Port. We will not incur payment risk in connection with the financing for this project as payment will be made to us by BNDES pursuant to its agreement with the government of Cuba. In 2012, Companhia de Obras e Infra-Estrutura was awarded an additional contract to manage and operate a sugar mill in Cienfuegos to improve the production capacity of the sugar mill and the sugar cane harvest. Our total backlog in Cuba is approximately U.S.$572.2 million at December 31, 2012.

United States

We commenced operations in the United States 21 years ago, where we have completed 61 projects in California, Florida, North Carolina, South Carolina and Louisiana. In the United States, we have shifted from contractor to construction management work and are concentrating our operations in Florida particularly in connection with low-risk/low-margin projects. This approach enables us to minimize our risk while gaining technical expertise in the United States. The largest projects currently in our United States backlog are the Fort Lauderdale International Airport, the two Hurricane Flood Protection Levees in New Orleans for the US Army

Corps of Engineers, the Sam Houston Tollway in Houston, Texas, the Herbert Hoover Dike rehabilitation project in Martin and Palm Beach counties in the State of Florida, the Miami Orange Line, the construction of the Miami International Airport North Terminal and the Port of Miami, with a total backlog of approximately U.S.$200.3 million at December 31, 2012).

Portugal

Over the last several years, we have been involved in some of the most important construction projects in Portugal, including the Lisbon Metro and the Lusoponte Bridge Project. Through our subsidiary, Bento Pedroso Construções S.A., or BPC, we have also participated directly in bridge and road concessions covering a total of 459 km, including several large toll-road concessions: (1) Beiras Litoral IP-5; (2) Norace – Auto-estrada Norte; (3) Grande Porto; and (4) Costa da Prata. BPC sold these concessions in December 2010 for approximately R$194.0 million. Our only project currently underway in Portugal is the Baixo Sabor Hydroelectric Power Plant, with a total backlog of approximately U.S.$23.5 million at December 31, 2012.

Middle East and Africa

During 2007, through our subsidiary Libyan Brazilian Construction and Development (a joint venture in which CNO holds an equity interest of 60.0%, and the remaining 40.0% is held by Urban Development Holding Company, a Libyan construction company), we were awarded a contract the construction of the Tripoli Airport, as part of a consortium with Tav – Tepe Akfen Investment Construction and Operation Co. and its partner, LCCC – Libyan Consolidated Contractors Company.

Our services in connection with this project have been contracted on a cost-plus basis. Under the terms of the contract relating to this project, we are guaranteed reimbursement for of all of our costs incurred with the provision of our services and will receive a fixed fee in addition to the reimbursement of such costs. Our total backlog in Libya is approximately U.S.$258.6 million at December 31, 2012, representing 0.8% of our total backlog at December 31, 2012. This project was suspended in 2011 due to the armed conflict in Libya. Although military activities in Libya have ceased, we have not resumed operations in the country, as we await the outcome of its ongoing political restructuring.

In 2008 we were awarded the Moatize mine project in Mozambique, to construct a coal mine and related infrastructure for our client Vale and the Wharf in Nacala. In 2009 we were awarded the Nacala Airport project in Mozambique. Contract backlog in Mozambique originating from these three projects totaled approximately U.S.$832.0 million at December 31, 2012.

In 2008, we also began operating in Liberia, where we had two contracts with our client Arcelor-Mittal (to construct a railway and an iron-ore mine). The iron-ore mine project was concluded in the first half of 2009. Phase one of the railway was partially concluded and then cancelled by the client, as a result of capital expenditure postponement by Arcelor-Mittal. This cancellation did not represent a loss to us as it was a cost-plus fee contract and therefore we have been paid for all the costs we incurred, in addition to an administration fee. At the time of the cancellation of this contract, the total backlog was approximately U.S.$92.0 million. This contract, which totals approximately U.S.$120.0 million, has been reinstated as the client is resuming investments in the iron-ore mine.

In 2012, we began operations in the United Arab Emirates, developing a waste water pumping station. This project totaled approximately U.S.$362.3 million at December 31, 2012.

Backlog

We define backlog to include contracts that we have signed for a particular project and for which an identified source of funding exists. To include a construction contract in our backlog, we assume that each party will satisfy all of its respective obligations under the construction contract and payments to us under the contract will be made on a timely basis consistent with historical experience. For contracts that are not for a fixed price, we estimate and update the related backlog based upon the estimated amount of work to be completed through periodic consultation with our customer. For projects in which we act as project manager, we only include our scope of work

in connection with each project in calculating our backlog. For projects related to unconsolidated joint ventures, we only include our percentage ownership of the joint venture's backlog.

Although our internal accounting systems update our backlog data on a consolidated basis monthly, backlog is not necessarily indicative of our future operating results, as backlog figures are subject to substantial fluctuations. Projects included in backlog are often extremely complex, unique and likely to vary in contract value and timing. The termination or modification of one or more large contracts or the addition of contracts to backlog may have an important effect on our backlog.

At December 31, 2012:

- our backlog represented approximately U.S.$33.7 billion, or over two years of future work; and
- we expect to complete approximately 35% to 45% of our total backlog by the end of 2013.

The following table sets forth our consolidated backlog for Brazil and outside Brazil at December 31, 2012, 2011 and 2010 (in millions of U.S.$):

	At December 31,		
	2012	**2011**	**2010**
		(unaudited)	
Brazil	11,061	13,166	11,714
Outside Brazil	22,665	19,124	14,414
Total	33,726	32,290	26,128

During the last five years, we have successfully secured important projects not only in Brazil, but also in Argentina, Angola, Colombia, the Dominican Republic, Mozambique, Panama, Peru, the United States, Portugal, Venezuela, and certain countries in the Middle East. New projects awarded in 2012 had a total contract amount of U.S.$8,216.0 million, of which U.S.$1,954.4 million is for projects located in Brazil and U.S.$6,261.6 million is for projects located outside Brazil. These new projects include: (1) Estaleiro Paraguaçu shipyard, Brazil (U.S.$590.8 million); (2) SONAREF Project, Angola(U.S.$540.0 million); (3) Pumping Station, UAE (U.S.$362.3 million); (4) Gas Anaco, Venezuela (U.S.$ 316.6 million); (5) the Transolympic expressway, Brazil (U.S.$229.3 million); and (6) the São Paulo Metro Line V, Brazil (U.S.$ 200.6 million).

The following table sets forth our backlog by country and type of contract at December 31, 2012:

Country	**Transportation**	**Building/ Manufacturing Plants**	**Power Plants/Dams**	**Assembly & Erection**	**Infrastructure**	**Total**
			(unaudited) (*in millions of U.S.$*)			
Brazil	4,410	666	2,778	1,647	1,560	11,061
Venezuela	5,140	141	58	919	4,685	10,943
Angola	1,392	415	785	4	119	2,715
Argentina	11	-	-	1,094	138	1,244
Peru	376	31	563	-	182	1,153
Mexico	-	-	-	1,133	-	1,133
Panama	947	-	-	-	161	1,108
Dominican Republic	853	-	-	-	1	854
Mozambique	135	-	-	697	-	832
Colombia	621	-	-	-	1	622
Ecuador	76	-	127	216	186	605
Cuba	217	-	-	356	-	572
UAE	-	-	-	-	329	329
Libya	259	-	-	-	-	259
USA	137	-	32	-	31	200
Guinea	-	-	-	71	-	71
Portugal	-	-	24	-	-	24

Country	Transportation	Building/ Manufacturing Plants	Power Plants/Dams	Assembly & Erection	Infrastructure	Total
			(unaudited) (*in millions of U.S.$*)			
Total…….……....	14,575	1,254	4,367	6,136	7,394	33,726

Other Activities

Although it is not part of our core business, we own equity interests in companies that conduct mineral prospecting and exploration in the diamond sector. Our indirect wholly-owned subsidiary, Odebrecht Mining Services Inc., or OMSI, holds a 16.4% equity interest in the Catoca Project, which undertakes prospecting, exploration, treatment and sale of diamonds and other minerals in the Lunda Sul Province of Angola. The Catoca Project has been granted permission from the Angolan government to exploit diamonds mined from the Catoca Kimberlite and to explore diamond mines in the Luemba and Lapi areas.

Bidding and Contracts

Bidding Rules

We obtain contracts for new projects primarily through competitive bidding in response to solicitations by government agencies, public announcements by private sector entities, invitations when short-listed for private projects and, to a lesser extent, through direct negotiation. The volume of work generally available in the market at the time of the bid, the size of our backlog at the time, the location and complexity of the project to be executed and the level of competition for the project are all factors that may affect our competitiveness in a particular bidding process.

Most contracts for public sector projects in Brazil and in most jurisdictions outside Brazil are obtained through a mandatory competitive bidding process. The bidding process begins with an invitation by the public authority to tender bids based on model contractual terms and on a plan setting forth the basic requirements of the project. For each project, potential bidders are required to pre-qualify in relation to relevant experience and engineering capability with respect to the type of project being considered and in relation to financial wherewithal. Due to our size, experience and engineering capabilities, we generally are able to satisfy most pre-qualification requirements. Proposals are usually judged on the basis of cost and technical quality. In Brazil, companies are not permitted to bid on public contracts if they have outstanding tax or other obligations owed to Brazilian governmental entities unless any such obligations are being contested in good faith. To comply with this requirement, we continuously monitor our tax payment status and the status of our other obligations due to Brazilian government entities.

Contracts for private sector projects tend to be awarded not only on bid prices and relevant experience, but also with regard to long-term relationships with the client and to the range of services and technical solutions being offered. As part of the shift to private sector investment in infrastructure facilities in Brazil and in certain jurisdictions outside Brazil, many Brazilian and international public and private sector clients have begun to require that their projects be constructed on a turnkey (lump sum) basis with financing arranged by the parties participating in the construction of the project. As a result of the increased complexity of these projects, bids are frequently submitted by consortia. Our ability to win these bids is affected by the relative strengths and weaknesses of our partners in such consortium and the ability of the consortium in which we participate to obtain sufficient financing.

Contracts

We principally enter into civil engineering and construction contracts with government entities and government-related entities, such as state-owned utility companies, semi-autonomous railway and subway companies and private concessionaires of formerly government-controlled infrastructure. General provisions in these contracts tend to be similar, other than with respect to project-specific terms. Historically, many of these contracts have generally provided for payment on a unit price basis. A unit price (which we sometimes referred to as cost reimbursable) contract establishes a price per unit of work for each constituent element of the project, such as

per cubic meter of earth or rock excavated or per cubic meter of concrete poured. Contracts include estimated volumes for each unit price element, and our bid price reflects our estimate of the costs that we expect to incur in respect of each work unit. In these contracts, we are generally, however, entitled to payment based on actual volumes required to perform the work to contractual specifications. The contracting authority therefore assumes the risk that the volume of units required for the project will exceed the volume estimated in the contract (that is, that the number of units of work exceeds estimates). We, on the other hand, assume the risk that our actual cost per unit of work may exceed our estimates used to calculate our bid pricing. Unit prices are generally subject to periodic adjustments for inflation or for changes in price for a particular unit of work.

Almost all of our ongoing works are based on fixed-price contracts. Our margins on fixed-price contracts may vary from original estimates as a result of changes in costs and productivity over their term, such as unanticipated increases in the cost of equipment, materials or manpower due to inflation or unforeseen events, such as client difficulties in obtaining adequate financing or required governmental permits or approvals, project modifications creating unanticipated costs or delays caused by local weather conditions or suppliers' or subcontractors' failure to perform. In addition, we sometime bear the risk of delays caused by unexpected conditions or events, subject to the protection of standard force majeure provisions and insurance policies contracted for a project. Notwithstanding the foregoing, our management believes that we have generally been successful in estimating our project costs accurately. Moreover, we review budgets periodically to identify any inconsistencies between actual and budgeted costs. If we find any inconsistencies, we generally attempt to negotiate higher contract prices through contract amendments to recover related cost variations. In order to further reduce these risks, we seek to negotiate provisions in our contracts which exclude consequential damages, cap liquidated damages and otherwise limit our liability, as well as allow for price adjustments in the event of change orders or changes in law that increase the scope or cost of a project.

Upon completion of a project, the contracting party typically provides us with a provisional receipt acknowledging completion. During the 60 to 180 days that follows, the project is tested, and we may be required, if necessary, to make repairs or alterations necessary to bring the project into compliance with contract specifications. When the counterparty is satisfied with this process, it issues a definitive receipt that acknowledges its acceptance of the completed project. We generally are required to guarantee our workmanship for a certain period of time after definitive acceptance of the project. For example, Brazilian law provides that the construction company remains responsible for a five-year period following definitive acceptance of the project for any latent defect in the project. To date, we have not experienced any claim in Brazil regarding defects in any of our completed public sector construction projects following issuance of a definitive receipt. Outside Brazil, our contracts generally provide for a one-year warranty period following completion and testing.

In general, final payment under contracts is made following acceptance of the completed project. Many unit price and fixed-price contracts also provide for periodic payments to the contractor upon meeting certain pre-agreed milestones. Under Brazilian law, construction companies providing services to Brazilian government or its agencies pay income taxes on a cash basis (when revenue is actually received).

Certain contracts to which we are a party deviate from the provisions described above. For example, certain contracts include requirements to purchase certain goods and services locally and may be governed by the local law of the jurisdiction in which the project is located. Our engineering and construction contracts also frequently contain advance payment provisions (which is a risk mitigation measure) and often require performance bonds, letters of credit and/or performance bonds to cover performance and potential labor claims.

Insurance and Guaranties

One of the tools that our management applies to mitigate risks associated with our operations for each project is to obtain risk management advice, insurance and guaranties from Odebrecht Corretora de Seguros Ltda., or OCS, a wholly-owned subsidiary of Odebrecht. OCS operates as an in-house broker in respect of insurance policies and surety bonds for our projects within Brazil. For projects executed outside Brazil, OCS works together with several international insurance companies, including Marsh, Inc. as its international insurance and surety broker, and the American International Group, or AIG, Chubb International Surety, Swiss Reinsurance Company, Zurich Group and Zurich North America as some of its surety companies. We follow OCS' guidelines on insurance guaranties. These guidelines require insurance policies to cover multiple risks, such as property and construction

all-risk (including environmental, geological and force majeure events), third party liability, personnel, life and equipment. These guidelines also recommend that the purchase of additional insurance be considered on a case-by-case basis.

We are also required, in the majority of the markets in which we operate, to provide a performance bond to guarantee the completion of our contracts. Outside the United States, the maximum level of this guaranty varies from 5.0% to 30.0% of the total value of the contract. In contrast, in the United States, such guaranties ordinarily cover 100% of the total value of the contract. Guaranties for companies in the Odebrecht Group can be provided through two different methods:

- posting a surety bond; and/or
- providing standby letters of credit.

Following OCS' guidelines on insurance guaranties, we generally prefer to use and post a surety bond. If we post a surety bond, the bond will remain in place for the entire term of the contract, including the maintenance period (typically one year) following the completion of construction. However, the specific terms of each performance bond are individually negotiated and therefore may vary.

The Odebrecht Group has an approximate U.S.$13.0 billion revolving surety bond facility available to companies in the Group for performance, retention, maintenance, advance payment and other types of surety bonds customarily given on behalf of contractors operating outside Brazil and increasingly, within Brazil, of which U.S.$11.4 billion have been drawn under the facility. The Odebrecht Group allocates costs under this facility to Odebrecht Group companies' ongoing projects on a pro-rata basis based on the aggregate amount of surety bonds used by these projects.

In addition, we also enter into standby letters of credit and other bank guaranties customarily required to be provided by contractors. At December 31, 2012, we had standby letters of credit and other bank guaranties outstanding in the aggregate amount of U.S.$984.2 million.

We may also enter into indemnity agreements with joint venture partners or other members of a consortium in order to attempt to limit our liability.

On September 19, 2007, the IDB approved a partial credit guaranty of U.S.$200.0 million covering up to 50.0% of the net exposure of AIG, to a portfolio of surety bonds for existing and new eligible projects undertaken by us and our subsidiaries in various IDB member countries in Latin America and the Caribbean.

On October 1, 2009, CAF also approved a partial credit guaranty facility of U.S.$200.0 million covering up to 50.0% of the net exposure of AIG, to a portfolio of surety bonds for existing and new eligible projects undertaken by us and our subsidiaries in CAF member countries and that comply with CAF's environmental and social Requirements.

On October 5, 2011, the International Finance Corporation, or IFC, approved a U.S.$50.0 million partial credit guarantee to support the development of infrastructure in Brazil and other Latin American countries. This facility will allow us to obtain up to U.S.$250.0 million in surety bonds, directly supporting up to U.S.$2.0 billion in construction contracts in such sectors as power, water, roads, ports, airports and irrigation.

In the construction industry, a contractor's historical technical performance and level of success may be judged based on claims filed and paid by insurance companies on contracts fully or partially completed by the contractor. From 1990 through December 31, 2012, we had successfully completed and performed U.S.$26.3 billion in bonded contracts without having to pay any claims in relation to work performed by us or our subsidiaries.

Contract Administration and Dispute Resolution

To reduce the aggregate volume of our overdue receivables, we have decentralized the negotiation and administration of our construction contracts to the project manager and other personnel directly involved with each contract. The project manager is responsible for the day-to-day management of the project and is required to submit (and update periodically) to management a detailed action plan for the project that outlines each step along the critical path of completion for the project. We believe that this decentralization, or planned delegation, enable us to effectively manage project costs and resolve most disputes with the project owner on an informal basis.

Supplies

Our principal raw material supply needs include cement, steel, explosives, fuel and timber. We believe that there are a sufficient number of suppliers for these materials in Brazil and in the other markets in which we operate. We are not dependent on a single supplier (or a small number of suppliers).

Our main suppliers are Caterpillar Inc., Metso, Mercedes, Herrenknecht AG, Scania, Volvo Group, Sandvik and others. We enter into contracts with our suppliers according to our demand for equipment and products. In effect, our arrangements with our suppliers are in the nature of "requirements" contracts: so long as quality is maintained, prices are competitive, schedules are met and performance specifications are achieved, we intend to buy our requirements for certain types of equipment from these suppliers. We work closely with these suppliers in order to achieve: (1) just-in-time delivery of necessary equipment when feasible and warehousing of equipment by suppliers if we do not require immediate delivery; (2) preferential and faster supplier response to specific equipment needs; (3) cost savings from high volume purchases and improved payment conditions; and (4) on going relations with important international suppliers.

Competition

We are the largest engineering and construction company in Latin America as measured by 2011 revenues. Most of our ongoing construction projects were awarded through a competitive bidding process. While price generally is the most important factor that determines whether we will be awarded a contract through competitive bidding procedures, other important factors in competitive bidding procedures include health, safety and environmental protection records, service quality, technological capacity and performance, as well as reputation, experience, access to funding sources and client relationships. In some cases, we can even be invited by one of our competitors to enter into a joint-venture with it for a particular project. The number of competitors for a contract will depend on a number of factors, including scale, complexity and scheduling of the project. In Brazil, our principal competitors include Andrade Gutierrez S.A., Camargo Corrêa S.A., Queiroz Galvão S.A. and Construtora OAS Ltda. A variety of other companies may bid on specific types of projects or on projects in specific regions of Brazil, but we believe that we have a competitive advantage with respect to other Brazilian engineering and construction companies as a result of our experience, reputation, capacity, efficiency, trained personnel, size, financial resources and technological capabilities.

We also face competition from international construction companies in Brazil as a result of liberalization of Brazilian government rules that had previously limited foreign competitors. The participation of international companies in the Brazilian market has typically been through consortia that include a local partner. While international firms are seeking to increase their presence in the Brazilian construction industry, we believe that domestic players benefit from better knowledge of local market practices, business relationships with local suppliers and labor, established client relationships and reputation and name recognition within the industry and Brazil. For a particular project, we may also enter into consortia with other Brazilian companies, including with our principal competitors.

Internationally, we generally compete with some of the largest contractors in the world, as well as local firms based in some of the markets in which we operate. We believe that we are able to make competitive bids in Brazil and internationally for three principal reasons. First, our engineering capabilities and experience enable us to accurately assess the nature and extent of the work required to complete our projects, to create efficient engineering plans and, on occasion, to offer more cost-effective alternatives to proposed plans of governmental authorities in invitations for bids. Second, our decentralized management approach has generally allowed us to efficiently manage

our projects. Third, our projects are often eligible for funding from the Brazilian government for service exports and from multilateral financial institutions.

Employees

At December 31, 2012, we had 127,056 employees, 78,298 of whom were employed in Brazil and 48,758 of whom were employed outside Brazil. A significant percentage of our non-management employees were members of unions. We believe that we have good relations with our employees and the unions to which our employees belong.

As part of our human resources policy, we provide all our employees with life and health insurance. We and our subsidiaries have entered into an agreement with ODEPREV – Odebrecht Previdência, or ODEPREV, a private pension fund established by Odebrecht, as plan sponsor. ODEPREV offers its participants an optional plan, which is a defined contribution plan in which monthly and periodic participant contributions and annual and monthly sponsor contributions are made to individual pension savings accounts.

The Board of Trustees of ODEPREV annually establishes the plan's cost and the parameters for contributions to be made by the participants and their employers. With regard to the payment of benefits defined in the Optional Plan, the actuarial liability of ODEPREV is limited to the total value of the quotas held by its participants, and as a defined contribution plan, there may be no obligation or responsibility from the sponsoring company to ensure a minimum level of benefits to retiring participants. The contributions of our company and our subsidiaries for 2012 and 2011 amounted to R$47.7 million and R$17.8 million, respectively.

Property, Plant and Equipment

At December 31, 2012, the net book value of our property, plant and equipment was R$1,855.7 million (U.S.$908.1 million). We believe that all of our facilities and equipment are in good operating condition.

The engineering and construction business requires extensive production equipment and specialized machinery. Production equipment includes tractors, trucks, cranes, asphalt and concrete production equipment, tunnel-boring machines, drilling tractors and topography equipment. In recent years, we have emphasized the use of multi-purpose equipment, which can be used in multiple projects. Specialized machinery tends to be specifically designed and limited for use in a particular project. We purchase equipment, lease equipment and enter into sale-and-leaseback arrangements, as we deem appropriate.

Taxes

Income Tax

We are generally subject to Brazilian federal income tax at an effective rate of 25.0%, which is the standard corporate tax rate in Brazil. At December 31, 2012, we had net deferred income tax liability totaling R$97.4 million (recorded as long-term assets and liabilities).

Social Contribution

We are subject to a federal social contribution tax at an effective rate of 9.0%, the standard rate in Brazil. This tax is not deductible for federal income tax purposes.

Other Taxes

We are subject to a number of other Brazilian and foreign taxes in addition to Brazilian income tax and the social contribution tax, some of which are described below.

Contribution for Social Security Financing and Social Integration Program (COFINS/PIS)

COFINS and PIS finance special social programs in Brazil through the collection of federal taxes on gross revenues. COFINS and PIS may be charged on a cumulative or non-cumulative basis, depending on the type of activity performed by the taxpayer. Taxpayers may be subject to both taxation regimes if they pursue various types of activities. We pay COFINS on a cumulative and non-cumulative basis, at a rate of 3% and 7.6%, respectively, and PIS on a cumulative and non-cumulative basis, at a rate of 0.65% and 1.65%, respectively.

Legal and Regulatory Matters

Litigation and Other Adversarial Dispute Resolution

We are involved in a number of legal and arbitration proceedings arising in the ordinary course of our businesses. This litigation includes, among others, civil litigation regarding property damage, recovery of credit and other similar claims, and litigation brought by former employees. Our management does not believe that any of these proceedings would have a material adverse effect on our operations or financial condition if adversely determined against us or our subsidiaries. We are also involved in certain class actions (*ações civis públicas* and *ações populares*) and other disputes brought by the Public Prosecution Offices with respect to the regularity of the agreements entered into with the public sector, arising in the ordinary course of our business, related to the construction services we render to government sector clients. Our management does not believe that any of these proceedings, if adversely determined, would materially adversely affect our results of operations or our financial condition.

In 1997 and 1999, we were involved in three disputes with the State of São Paulo Public Prosecution Office arising from damages caused by alleged irregularities in our waste disposal contracts entered into with LIMPURB, a public entity owned by the City of São Paulo. In 2003 and 2005, we lost three separate proceedings in the trial court and were deemed ineligible to enter into additional service agreements with public authorities. In 2003 and 2005, we were granted an injunction by the STJ, which suspended the effects of the trial courts' decisions. We appealed the trial courts' decisions to the STJ. The STJ has rendered a final opinion in our favor in two of the appeals, cancelling the trial court's decision in one case and exempting CBPO from the proceeding in another. On August 12, 2008, the STJ ruled against us in the remaining appeal. Nonetheless, this decision had a partially favorable outcome to us since it restricted the scope of the prohibition that was initially imposed on CBPO and CNO. The decision clarified that (1) CNO was ineligible to enter into agreements with LIMPURB only, (2) CBPO was ineligible to enter into agreements with the City of São Paulo only and (3) the prohibition concerning the tax benefits for both CNO and CBPO was restricted to the City of São Paulo. Following this decision, we filed a motion for review of the ruling with the STJ. The STJ has granted our motion for review and judgment on the ruling remains pending.

At December 31, 2012 and 2011, we had recorded an aggregate provision of R$93.2 million and R$107.7 million, respectively, in our current and long-term liabilities to cover: (1) legal indemnity expenditures related to employee termination costs, which is typical in our line of business, with the provision based on our history of similar disbursements and the opinion of our external counsel; and (2) expenses related to labor, tax and civil claims that, in the opinion of our management and external legal advisers, have a limited possibility of a favorable outcome. In addition, we and our principal subsidiaries were party, at December 31, 2012 and 2011 to labor, civil and tax claims in the aggregate amount of R$655.1 million and R$603.8 million, respectively, for which we have not recorded any provision for losses, because, in the opinion of our management and our external legal advisers, a decision in connection with these claims is likely to be favorable to us with no expected resulting material losses related thereto.

Regulatory

The construction sector in Brazil is not regulated by a particular federal or state agency. We must register each contract on which we commence work with the applicable Regional Council of Engineering and Architecture (*Conselho Regional de Engenharia e Arquitetura*). In addition, we are required to obtain all necessary licenses (excluding environmental licenses, which are generally obtained by the project owner) related to each project that we perform in Brazil as a condition of pre-qualification. In relation to work performed outside Brazil, we are

obliged to comply with all applicable regulations imposed on the local and state level and to obtain all necessary permits.

Environmental Matters

We enter into a large portion of our contracts with public sector entities. Pursuant to applicable law in Brazil and in other jurisdictions in which we operate, environmental studies and licenses are required as conditions to the commencement of the bidding process for public sector projects. Private sector projects are likewise subject to similar requirements with studies and licenses required before any construction is authorized. Large infrastructure construction projects are also sometimes subject to stricter standards imposed by international agencies such as the World Bank and the IFC. Such studies and licenses are commissioned and obtained by the project owner (a government authority or a private entity).

We believe that, to the extent applicable to us and to our project operations, we are substantially in compliance with the parameters set forth in these licenses and studies and do not anticipate significant difficulty in maintaining our ongoing compliance with environmental regulations. In addition, a substantial portion of our business is carried outside Brazil, in some cases under stricter and broader environmental regulations than those imposed by Brazil. Our management is not aware of any environmental actions or claims that are pending or threatened against us or our subsidiaries that could have a material adverse effect on our operations of financial condition on a consolidated basis.

For more information regarding our environmental risks, see "Risk Factors—Risks Relating to Our Company—We are subject to stringent environmental requirements, and compliance with their regulations and any new regulations could require significant capital expenditures and increase our operating costs."

THE ISSUER

Odebrecht Finance is a wholly-owned subsidiary of Odebrecht and was incorporated in the Cayman Islands as an exempted company with limited liability on January 30, 2007 for an unlimited period. The registered office of the issuer is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Odebrecht Finance is registered and filed under number 181323. The share capital of the issuer is U.S.$1.5 million, fully paid-in, divided into 1.5 million shares of a par value of U.S.$1.00 each.

The corporate purposes for which Odebrecht Finance is established are unrestricted and without limitation, including entering into and conducting financial transactions and investing in pension funds. Odebrecht Finance has full power and authority to carry out any activity not prohibited by the Companies Law (2012 Revision) or as the same may be revised from time to time or any other law of the Cayman Islands, as referred in its Memorandum of Association.

The issuer does not have subsidiaries or equity participation in any undertaking. The business of the issuer is managed by its directors who may exercise all powers of the issuer.

The directors of Odebrecht Finance are Messrs. Felipe Montoro Jens, Mônica Bahia Odebrecht and Paulo Oliveira Lacerda de Melo. Their business address is Avenida das Nações Unidas, 8501, 32nd Floor, São Paulo, SP, CEP 05425-070, Brazil.

The financial information contained in this offering memorandum includes audited financial statements of Odebrecht Finance at and for the years ended December 31, 2012 and 2011 and at and for the years ended December 31, 2011 and 2010, which have been audited by its independent auditors, as stated in their report included elsewhere in this offering memorandum.

MANAGEMENT

Management of CNO

Pursuant to our by-laws (*estatuto social*), and Brazilian Corporate Law, we are currently administered by our officers (*Diretoria*). We currently have 14 officers. Our officers are responsible for determining our operating policies and guidelines for our business and our subsidiaries. We do not have a board of directors.

Our management structure also includes regional managers who have responsibility for the different regions in which we operate. Project managers are appointed to manage individual projects and are given a high level of autonomy to, among other responsibilities, manage allocated projects independently, select equipment and personnel, contract for insurance and arrange for financing. See "Business—Contract Administration and Dispute Resolution."

Each of our officers is elected for a two-year term and is eligible for re-election. Each of our current officers was re-elected at our general shareholders' meeting held on April 27, 2012 and on February 1, 2013. Our articles of association do not include any citizenship or residency requirements.

The following table sets forth the names and positions of our current officers.

Name	Position
Benedicto Barbosa da Silva Junior	Officer
Luiz Antonio Mameri	Officer
Márcio Faria da Silva	Officer
Adriano Chaves Jucá Rolim	Officer
João Antonio Pacífico Ferreira	Officer
Sérgio Luiz Neves	Officer
Luis Antonio Bueno Junior	Officer
Saulo Vinícius Rocha Silveira	Officer
Renato Augusto Rodrigues	Officer
Jayme Gomes da Fonseca Junior	Officer
Andre Vital Pessoa de Melo	Officer
Antonio Carlos Daiha Blando	Officer
Fabio Andreani Gandolfo	Officer
Leandro Andrade Azevedo	Officer

The business address of each of our executive officers is Avenida das Nações Unidas, 8501, 32nd Floor, São Paulo, SP, CEP 05425-070, Brazil.

Summarized below is information regarding the business experience, areas of expertise and principal outside business interests of each of our officers:

Benedicto Barbosa da Silva Junior – Mr. Silva Junior has been one of our officers since January 14, 2010. He joined the Odebrecht Group in 1985 and was appointed as an officer of our company on September 4, 1998. He holds a civil engineering degree from the Escola de Engenharia de Lins – São Paulo.

Luiz Antonio Mameri – Mr. Mameri has been one of our officers since April 29, 2010. He has been the president of Odebrecht Latin America and Angola since 2009. Prior to becoming president, Mr. Mameri was vice-president of Odebrecht Latin America and Angola for one year. His international experience with us includes serving as the chief executive officer of Odebrecht Angola from 2003 to 2008 and chief executive officer of our operations in Ecuador from 1997 to 2003. Mr. Mameri joined Odebrecht in 1977, after earning a civil engineering degree from Universidade Federal do Rio de Janeiro.

Márcio Faria da Silva – Mr. Silva has been one of our officers since January 14, 2010. He has been an officer of our company since September 1997. Mr. Silva was the senior officer for Tenenge Overseas Corporation from 1994 to 1996. He is a civil engineer and graduated in 1977 from the Escola de Engenharia da Fundação Mineira de Educação e Cultura.

Adriano Chaves Jucá Rolim – Mr. Jucá is the general counsel of our infrastructure area of business. Prior to serving as the general counsel to our infrastructure area of business, he was our general counsel. He holds a law degree from the Pontifícia Universidade Católica de Salvador and a master's degree in comparative jurisprudence from New York University School of Law.

João Antonio Pacífico Ferreira – Mr. Ferreira has been an officer of our company since May 1991. He was our senior officer for Brazil from 1994 to 1996. He holds a civil engineering degree from Universidade Federal de Pernambuco.

Sérgio Luiz Neves – Mr. Neves has been an officer of our company since January 2009. He joined Construtora Norberto Odebrecht in 1986 and began working as a contract manager in 1993. As contract manager, he was responsible for several construction projects in Brazil and other countries in Latin America. Mr. Neves holds a degree in civil engineering from Universidade de Federal de Ouro Preto.

Luis Antonio Bueno Junior – Mr. Bueno has been an officer of our company since January 2013. He joined us in 1992 and began working as a contract manager in 2000. As contract manager, Mr. Bueno was responsible for several construction projects in Brazil and Angola. From 2009 to 2012, he was country manager in Colombia. Mr. Bueno holds a civil engineering degree from the Universidade Paulista - UNIP and a master's degree in business administration from the School of Management of Fundação Getúlio Vargas – São Paulo (FGV-SP).

***Saulo Vinícius Rocha Silveir*a** – Mr. Silveira has been an officer of our company since January 2009. From 2002 to 2005, he was a contract officer at Consórcio CNO Inepar/Fem for the Tucuruí hydropower station project. He holds a degree in electrical engineering from Universidade Católica de Minas Gerais.

Renato Augusto Rodrigues – Mr. Rodrigues has been our superintendent director since January 2009 and was director of several projects before being appointed as our superintendent director. Mr. Rodrigues joined the Odebrecht Group in 1975. He received a degree in mechanical engineering from the Federal School of Engineering of Itajubá and has a degree in occupational safety engineering from Santa Cecilia College of Engineering.

Jayme Gomes da Fonseca Junior – Mr. Fonseca has been with Odebrecht since 1993, and has had held a variety of offices within Odebrecht, including as our tax planning manager, controller of Braskem and chief financial officer of Ipiranga Petrochemical. In April 2010, he was appointed as our chief financial officer. He received a degree in business administration from UNIFACS – University of Salvador, specialized in finance at PUC-RJ – Administration and Management Institute "IAG MASTER" and received a master's in accounting and finance from the Manchester Business School in Manchester, England.

Andre Vital Pessoa de Melo – Mr. Melo has been an officer of our company since January 2012. He joined the Odebrecht Group in 1985, having served as contract manager and infrastructure manager for several construction projects throughout Brazil and Angola. Mr. Melo holds a degree in civil engineering from Universidade Federal de Pernambuco and specialized in finance at PUC-RJ – Administration and Management Institute "IAG MASTER."

Antonio Carlos Daiha Blando – Mr. Blando has been an officer of our company since January 2012. He joined the Odebrecht Group in 1985, having served as sector chief, engineering manager and contract manager for several construction projects throughout Brazil and Venezuela. Mr. Blando holds a degree in civil engineering from Instituto Militar de Engenharia and a master's degree in finance from PUC-RJ.

Fabio Andreani Gandolfo – Mr. Gandolfo has been an officer of our company since January 2012. He joined us in 1983 and began working as a contract manager in 1995. As contract manager, Mr. Gandolfo was responsible for several construction projects in Brazil. From 2007 to 2009, he was country manager in Ecuador.

Mr. Gandolfo holds a degree in civil engineering from the engineering faculty of Fundação Armando Álvares Penteado – São Paulo (FAAP-SP) and a master's degree in business administration from the School of Management of Fundação Getúlio Vargas – São Paulo (FGV-SP).

Leandro Andrade Azevedo – Mr. Azevedo has been an officer of our company since January 2003. He began working for the Odebrecht Group in 1997 and has worked on several structural projects, primarily civil construction projects. In 2011, he became a director for the Southeastern region of Brazil. Mr. Azevedo holds a degree in civil engineering from Universidade Federal do Pará.

PRINCIPAL SHAREHOLDERS

CNO

CNO was formed on August 1, 1945. At December 31, 2012, the aggregate amount of our issued and outstanding capital stock was R$2,086.9 million, fully paid-in, represented by 163,298,207 common shares and 118,800,974 preferred shares. Our preferred shares have no voting rights, but would rank ahead of our common shares in the event of our liquidation. Each common share entitles the holder thereof to one vote at our shareholders' meetings. We have no established authorized share capital.

At December 31, 2012, all of our total capital (except for qualifying directors shares) was owned by Odebrecht, which, in turn, is controlled by ODBINV S.A. ODBINV S.A. is a Brazilian corporation controlled by Kieppe Participações e Administração Ltda. (which owns 63.9% of the total and voting capital of ODBINV S.A.). Kieppe Participações e Administração Ltda. is a Brazilian limited liability company that is wholly-owned by the Odebrecht family. Certain members and officers of Odebrecht own the remaining capital of ODBINV S.A.

Dividends

Pursuant to Brazilian Corporate Law, and in accordance with our by-laws, unless otherwise approved by all of our shareholders, we are required to make a minimum dividend payment to all of our shareholders during each fiscal year amounting to 25.0% of our annual net income during the previous fiscal year. We may declare and pay dividends in an amount greater than 25.0% of our annual net income, subject only to the limitation that such dividends may not exceed such net income and any distributable reserves available from previous fiscal years. We may also declare and pay dividends in an amount less than 25.0% of our annual net income if approved by our shareholders. We may also declare and pay dividends in an amount less than 25.0% of our annual net income if approved by our shareholders. For the year ended December 31, 2012, our management approved declared the payment of dividends in an aggregate amount of R$100.0 million, which is less than 25.0% of our annual net income. The payment and declaration of this dividend will be approved by our general shareholders' meeting held in April 2013.

The table below sets forth our history of dividends and interest on shareholders' equity declared for the years indicated:

	For the years ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
	(*in thousands of reais*)				
Dividends	100,000	100,000	100,000	110,000	—
Interest on shareholders' equity	—	—	—	58,250	254,600
Total	100,000	100,000	100,000	168,250	254,600

RELATED PARTY TRANSACTIONS

The following summarizes the material transactions that we have engaged in with other Odebrecht Group companies.

In the ordinary course of our business, we engage in a variety of transactions with our subsidiaries, affiliates and other Odebrecht Group companies. Financial information with respect to certain material related party transactions is set forth in note 21 to our audited consolidated financial statements at and for the years ended December 31, 2012 and 2011.

We also maintain inter-company credit arrangements, through a cash management agreement with Odebrecht and certain of its subsidiaries in order to facilitate temporary cash infusions and other flows of funds to meet working capital requirements and to distribute cash to shareholders pending the declaration of dividends at the end of each fiscal year.

At December 31, 2012, we were owed, in total, R$871.5 million (R$1,144.5 million at December 31, 2011) as a result of inter-company transactions with certain affiliates of Odebrecht pursuant to a cash management agreement. On the other hand, at December 31, 2012, we owed R$299.9 million (R$174.1 million at December 31, 2011) to certain affiliates of Odebrecht. Changes in our long-term receivables and long-term liabilities as a result of the cash management agreement among certain affiliates of Odebrecht are more fully described in note 21 to our audited consolidated financial statements at and for the years ended December 31, 2012 and 2011.

TERMS AND CONDITIONS

The U.S.$550.0 million of the Issuer's 4.375% notes due 2025 (the "**Notes**") are to be issued under an indenture (the "**Indenture**") among the Issuer, the Guarantor, The Bank of New York Mellon, as trustee (the "**Trustee**"), and certain other parties thereto. In this description, the terms "**Issuer**" and "**Guarantor**" refer only to the Issuer and the Guarantor, respectively, and not to any of their respective Subsidiaries. The statements under this caption relating to the Notes and the Indenture are summaries and are subject to, and are qualified in their entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein. Where reference is made to particular provisions of the Indenture or to defined terms not otherwise defined herein, those provisions or defined terms are incorporated herein by reference. Copies of the Indenture are available at the designated corporate trust office of the Trustee and also may be obtained from the Issuer. Certain capitalized terms used in these Terms and Conditions are defined in Section 13 hereof.

1. Status

The Notes constitute a direct, unconditional, unsubordinated and unsecured obligation of the Issuer and rank *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, except as the foregoing may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles (regardless of whether enforcement is considered in a proceeding in equity or at law).

The Notes will be unconditionally and irrevocably guaranteed (the "**Guaranty**") by Construtora Norberto Odebrecht S.A. (the "**Guarantor**"). The Guaranty will constitute the direct, general and unconditional senior obligation of the Guarantor that will at all times rank at least equally with all other present and future unsecured senior obligations of the Guarantor, except as the foregoing may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally or by general equitable principles (regardless of whether enforcement is considered in a proceeding in equity or at law).

The Issuer may, without the consent of existing Holders of Notes, issue additional Notes having the same terms and conditions as the Notes, except that the issue date, the issue price and the first payment of interest thereon may differ; *provided, however*, that such additional Notes will either be (i) fungible with the original notes for U.S. federal income tax purposes or (ii) are issued under separate CUSIP and ISIN numbers and Common Code. Any such additional Notes will form a single series and vote together with the previously outstanding Notes for all purposes hereof.

2. Interest Rate

The Notes will bear interest at 4.375% *per annum* until the principal thereof is paid or made available for payment. Interest will be payable in arrears on each Interest Payment Date (as defined below) and at Maturity. "Maturity" means the date on which the principal of, and premium, if any, on the Notes become due and payable in full in accordance with the Indenture, whether on the Stated Maturity Date specified in the Notes, an Optional Redemption Date as described below or earlier by declaration of acceleration, repayment or otherwise.

The interest payment dates shall be semi-annual on April 25 and October 25 of each year (the "**Interest Payment Dates**"). The first payment of interest will be made on October 25, 2013. If any Interest Payment Date or the date of Maturity falls on a day that is not a Business Day, the required payments of principal, premium, if any, and interest with respect to such Note will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date or date of Maturity, as the case may be, to the date of such payment on the next succeeding Business Day.

Interest shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

3. **Payment of Principal and Interest**

The Notes will mature at par on April 25, 2025.

Payments of interest will be made to Holders appearing on the Register (as defined in the Indenture) at the close of business on the 15th calendar day (whether or not a Business Day) prior to any due date for the payment of interest on such Note (the "**Regular Record Date**"), (i) in the case of Global Notes, by a Paying Agent by wire transfer of immediately available funds to Holders to an account at a bank located within the United States as designated by each Holder not less than 15 calendar days prior to the applicable payment date, and (ii) in the case of Certificated Notes, by a Paying Agent by mailing a check to the Holder at the address of such Holder; *provided, however*, that (a) interest payable on any date of Maturity shall be payable to the Person to whom principal shall be payable and (b) the first payment of interest on any Note originally issued between a Regular Record Date for such Note and the succeeding Interest Payment Date shall be made on the Interest Payment Date following the next succeeding Regular Record Date for such Note of the Holder. For any Certificated Note, a Holder of U.S.$1,000,000 or more in aggregate principal amount of Notes may request payment by wire transfer but only if appropriate payment instructions have been received in writing by any Paying Agent with respect to such Note not less than 15 calendar days prior to the applicable payment date. In the event that payment is so made in accordance with instructions of the Holder, such wire transfer shall be deemed to constitute full and complete payment of such principal, premium and/or interest on the Notes.

Payment of the principal, premium, if any, and interest due with respect to any Certificated Note on any date of Maturity will be made in immediately available funds upon surrender of such Note at the Specified Office of any Paying Agent with respect to that Note and accompanied by wire transfer instructions; *provided* that the Certificated Note is presented to such Paying Agent in time for such Paying Agent to make such payments in such funds in accordance with its normal procedures.

The Issuer will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but any tax, assessment or governmental charge imposed upon payments will be borne by the Holders of the Notes in respect of which such payments are made.

Notwithstanding anything to the contrary in this Section 3, if the Note is a Global Note deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**"), principal and interest payments on the Note will be made to DTC, as the registered Holder of the Note in accordance with DTC's applicable procedures.

If the Issuer or the Guarantor defaults in a payment of interest on the Notes, the Issuer or the Guarantor will pay the defaulted interest (plus interest on such defaulted interest at the rate specified in Section 5(a) to the extent lawful) in any lawful manner not inconsistent with the requirements of any stock exchange on which the Notes may be listed, and upon such notice as may be required by such exchange.

The Issuer or the Guarantor may pay the defaulted interest to the Persons who are Holders on a subsequent special record date, which date will be at least five Business Days prior to the payment date of such defaulted interest. The Issuer or the Guarantor will fix or cause to be fixed such special record date and payment date, and, at least 15 days before any such special record date, the Issuer or the Guarantor will deliver to each Holder, with a copy to the Trustee, a notice that states the special record date, the payment date and the amount of defaulted interest to be paid.

4. **Redemption and Repurchase**

(a) *Maturity*

Unless previously redeemed, purchased or canceled, the Notes shall be repaid in U.S. dollars at their principal amount on the Stated Maturity Date.

(b) *Optional Redemption*

The Notes may be redeemed in whole or in part at any time, at the Issuer's or the Guarantor's option, at a "make whole" redemption price, calculated by the Independent Investment Banker, equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed; and

(ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Notes from the Optional Redemption Date to the Stated Maturity Date discounted, in each case, to the Optional Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 40 basis points;

plus any interest accrued but not paid and additional amounts, if any, to, but excluding, the date of redemption.

(c) Optional Tax Redemption

The Notes will be redeemable, at the Issuer's or the Guarantor's option, in whole, but not in part, upon giving not less than 30 nor more than 60 days' notice to the Holders, with a copy to the Trustee (which notice will be irrevocable) at 100% of the principal amount thereof, plus accrued interest and any Additional Amounts payable with respect thereto, only if the Issuer or the Guarantor has or shall become obligated to pay Additional Amounts (x) with respect to such Notes, as a result of any change in, or amendment to, the laws, treaties, or regulations of the Cayman Islands or Brazil or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, treaties or regulations, or (y) with respect to the Guaranty, in excess of the Additional Amounts that the Guarantor would pay if payments by it were subject to deduction or withholding at a rate of 15%, or 25% in the case of beneficiaries located in tax haven jurisdictions for purposes of Brazilian tax law, in each case determined without regard to any interest, fees, penalties or other similar additions to tax, as a result of any change in, or amendment to, the laws, treaties or regulations of the Cayman Islands, Brazil or any political subdivision or governmental authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, treaties or regulations, which change or amendment (either in clause (x) or (y)) occurs after the date of issuance of the Notes.

No such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts if a payment in respect of such Notes or the Guaranty were then due. Prior to the publication or mailing of any notice of redemption of the Notes as described above, the Issuer or the Guarantor shall deliver to the Trustee an opinion of an independent legal counsel of recognized standing stating that the Issuer or the Guarantor would be obligated to pay Additional Amounts due to the changes in tax laws, treaties or regulations or in the application or official interpretation thereof. The Trustee shall accept such opinion as sufficient evidence of the satisfaction of the conditions precedent set forth above, in which event it will be conclusive and binding on the Holders.

(d) *Repurchase*

The Issuer or any of its affiliates may at any time purchase Notes at any price or prices in the open market or otherwise. Notes redeemed pursuant to the terms of the Indenture or so purchased may be held or resold or, at the Issuer or any of its Affiliates' discretion, surrendered to the Trustee for cancellation or remain outstanding.

(e) *Procedure for Payment upon Redemption*

If notice of redemption has been given in the manner set forth herein, the Notes to be redeemed shall become due and payable on the Optional Redemption Date specified in such notice and upon presentation and surrender of the Notes at the place or places specified in such notice, the Notes shall be paid and redeemed by the Issuer at the places and in the manner and currency therein specified and at the redemption price therein specified together with any accrued interest to, but excluding, the Optional Redemption Date. From and after the Optional Redemption Date, if monies for the redemption of Notes called for redemption shall have been made available at the Specified Office of the Trustee for redemption on the Optional Redemption Date, the Notes called for redemption shall cease to bear interest, and the only right of the Holders of such Notes shall be to receive payment of the redemption price together with any accrued interest to, but excluding, the Optional Redemption Date as aforesaid.

Notwithstanding any other provisions contained herein, any Affiliate of the Issuer may deliver a notice of redemption in the manner set forth herein and/or pay the redemption price in connection with any redemption of the Notes.

5. **Covenants**

Subject to certain exceptions set forth in the Indenture, for so long as any of the Notes remain outstanding or any amount remains unpaid on any of the Notes, the Issuer or the Guarantor will, and will cause its Subsidiaries to, comply with the terms of the covenants described below.

(a) *Payment of Principal, Premium, if any, and Interest*

The Issuer will punctually pay the principal or interest on the Notes on the dates and in the manner provided in paragraphs 2 and 3 of the Notes. One Business Day prior to any Stated Maturity Date or Interest Payment Date, as the case may be, the Issuer will irrevocably deposit with the Trustee or any Paying Agent money sufficient to pay such principal and/or interest.

The Issuer will pay interest on overdue principal at the rate borne by the Notes plus 1% *per annum*, and it will pay interest on overdue installments of interest at the same rate to the extent lawful.

No interest will be payable hereunder in excess of the maximum rate permitted by applicable law.

(b) *Maintenance of Office or Agency*

The Issuer and the Guarantor shall maintain an office or agency in the Borough of Manhattan, the City of New York, where notices to and demands upon the Issuer and the Guarantor in respect of the Indenture and the Notes may be served.

(c) *Money for Note Payments to Be Held in Trust*

If the Issuer or the Guarantor shall at any time act as its own Paying Agent, it shall, on or before each due date of the principal of, premium, if any, on or interest on any of the Notes, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due until such sums will be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Issuer or the Guarantor shall have one or more Paying Agents for the Notes, it shall, on or before each due date of the principal of, premium, if any, on or interest on any Notes, irrevocably deposit with a Paying Agent a sum sufficient to pay the principal, premium, if any, or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal of, or interest, and (unless such Paying Agent is the Trustee) the Issuer or the Guarantor will promptly notify the Trustee of such action or any failure so to act.

Each Paying Agent, subject to the provisions of this Section 5(c), will:

(i) hold all sums held by it for the payment of the principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums will be paid to such Persons or otherwise disposed of as herein provided;

(ii) give the Trustee notice of any default by the Issuer or the Guarantor (or any other obligor upon the Notes) in the making of any payment of principal or interest; and

(iii) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Issuer or the Guarantor may at any time, for the purpose of obtaining the satisfaction and discharge of the Notes or for any other purpose, pay, or by Issuer Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Issuer or the Guarantor or such Paying Agent, such sums to be held in trust by the Issuer or the Guarantor or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such

sums were held by the Issuer or the Guarantor or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent will be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuer or the Guarantor, in trust for the payment of the principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable will be paid to the Issuer or the Guarantor at the written request of the Issuer or the Guarantor, or (if then held by the Issuer or the Guarantor) will be discharged from such trust; and the Holder of such Note will thereafter, as an unsecured general creditor, look only to the Issuer or Guarantor for payment thereof, and all liability of the Trustee with respect to such trust money, and all liability of the Issuer or the Guarantor as trustee thereof, will thereupon cease.

(d) *Additional Amounts*

(1) All payments by the Issuer or the Guarantor in respect of the Notes and the Guaranty will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of the Cayman Islands, Brazil or, following any merger, consolidation, transfer, liquidation, winding-up, dissolution or assumption of obligations in accordance with Sections 5(g) and 5(l) hereof, the jurisdiction in which the resulting, surviving or transferee Person is incorporated, resident for tax purposes or treated as engaged in business, or, in each case, any political subdivision thereof or taxing authority therein (each, a "Taxing Jurisdiction"), unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor will pay to each holder such additional amounts ("Additional Amounts") as may be necessary in order that every net payment made by the Issuer or the Guarantor on each Note after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by the Taxing Jurisdiction will not be less than the amount then due and payable on such Note. The foregoing obligation to pay Additional Amounts, however, will not apply to:

(A) any tax, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such Holder, if such Holder is an estate, a trust, a partnership or a corporation) or beneficial owner, on the one hand, and the Taxing Jurisdiction, on the other hand, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member or shareholder) or beneficial owner being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein, but not including the mere receipt of such payment or the ownership or holding of such Note;

(B) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by such Holder for payment (where presentation is required) on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(C) the extent that the taxes, duties, assessments or other governmental charges would not have been imposed but for the failure of such Holder or beneficial owner to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the Taxing Jurisdiction of the Holder if (a) such compliance is required or imposed by statute, regulation or other applicable law of such Taxing Jurisdiction as a precondition to exemption from all or a part of such tax, assessment or other governmental charge and (b) at least 30 days prior to the date on which the Issuer or the Guarantor applies this clause (C) the Issuer or the Guarantor will have notified all Holders of Notes that some or all Holders of Notes shall be required to comply with such requirement;

(D) a tax, assessment or other governmental charge imposed on a payment to an individual and required to be made pursuant to the European Union Directive on the taxation of savings, which was adopted on June 3, 2003, or any law implementing or complying with, or introduced in order to conform to, that directive;

(E) any tax, assessment or governmental charge imposed on a Note presented for payment by or on behalf of a Holder who would have been able to avoid that withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(F) any estate, inheritance, gift, sales, transfer or personal property tax or similar tax;

(G) any tax, assessment or governmental charge payable other than by deduction or withholding from payments of principal or of interest on the Note; or

(H) any combination of items (A) through (G) above.

(2) The Issuer or the Guarantor shall also pay any present or future stamp, court or documentary taxes or any other excise taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of any Taxing Jurisdiction other than those resulting from, or required to be paid in connection with, the enforcement of the Notes following the occurrence of any Default or Event of Default (each as defined below).

(3) No Additional Amounts shall be paid with respect to a payment on a Note or under the Guaranty to a Holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive payment of the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the Holder of the Note.

(4) The Issuer or the Guarantor will provide the Trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, a certified copy thereof, if available) evidencing the payment of taxes in any Taxing Jurisdiction in respect of which the Issuer or the Guarantor has paid any Additional Amounts. Copies of such documentation will be made available to the Holders of the Notes or the Paying Agents, as applicable, upon request therefor.

(5) The Issuer or the Guarantor will:

(A) at least 10 Business Days prior to the first Interest Payment Date for any Notes (and at least 10 Business Days prior to each succeeding Interest Payment Date or any Optional Redemption Date or Stated Maturity Date if there has been any change with respect to the matters set forth in the below-mentioned officer's certificate), deliver to the Trustee and each Paying Agent an officer's certificate (i) specifying the amount, if any, of taxes described in this Section 5(d) imposed or levied by or on behalf of any Taxing Jurisdiction (the “Relevant Withholding Taxes”) required to be deducted or withheld on the payment of principal or interest on the Notes to Holders and the Additional Amounts, if any, due to Holders in connection with such payment, and (ii) certifying that the Issuer or the Guarantor will pay such deduction or withholding;

(B) prior to the due date for the payment thereof, pay any such Relevant Withholding Taxes, together with any penalties or interest applicable thereto;

(C) within 30 days after paying such Relevant Withholding Taxes, deliver to the Trustee and the Principal Paying Agent evidence of such payment and of the remittance thereof to the relevant taxing or other authority as described in this Section 5(d); and

(D) pay any Additional Amounts due to Holders on any Interest Payment Date, Optional Redemption Date or Stated Maturity Date to the Trustee in accordance with the provisions of this Section 5(d).

(6) Any officer's certificate required by this Section 5(d) to be provided to the Trustee and each Paying Agent will be deemed to be duly provided if sent by facsimile to the Trustee and each Paying Agent.

(7) All references in this offering memorandum to principal of and interest hereon shall include any Additional Amounts payable by the Issuer or the Guarantor in respect of such principal and such interest.

(e) *Available Information*

For as long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer will, to the extent required, furnish to any holder of the Notes holding an interest in a restricted Global Note, or to any prospective purchaser designated by such holder, upon request of such holder, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Issuer to the extent required in order to permit such holder to comply with Rule 144A with respect to any resale of its Note, unless during that time, the Issuer or the Guarantor is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Issuer is otherwise required pursuant to Rule 144A.

(f) *Limitation on Liens*

The Guarantor shall not, and shall not permit any Significant Subsidiary to, create, incur, assume or permit to exist any Lien securing Debt of the Guarantor or any Significant Subsidiary upon any of the property or assets now owned or hereafter acquired by the Guarantor or any such Significant Subsidiary (including any Capital Stock of any Significant Subsidiary), except for (i) Permitted Liens or (ii) to the extent that, contemporaneously therewith, provision is made to secure the Notes equally and ratably with the obligation that is secured by any such Lien for so long as such obligation is so secured.

Solely for purposes of this "Limitation on Liens" covenant (but not the "Total Consolidated Assets" definition), and notwithstanding the "Subsidiary" definition, a corporation, association, partnership or other business entity that constitutes a joint venture or similar entity between the Guarantor and/or one or more of its Subsidiaries, on the one hand, and one or more Persons, on the other, and that would otherwise be a Subsidiary will not be deemed to be a Subsidiary (and, therefore, not subject to this covenant); *provided* that such joint venture or similar entity is not fully consolidated in the financial statements of the Guarantor (and instead is proportionately consolidated under CVM Instruction No. 247, as amended, any successor provision, or any equivalent provision under IFRS or other applicable generally accepted accounting principles, because it is jointly controlled by the Guarantor and/or its Subsidiaries, on the one hand, and such other Persons, on the other); *provided, further*, that the Debt secured or to be secured by Liens is incurred to finance the business of such joint venture or similar entity or property or assets owned or hereafter acquired, directly or indirectly, by it.

For the avoidance of doubt, a Lien permitted by this "Limitation on Liens" covenant need not be permitted solely by reference to a single clause permitting such Lien, but may be permitted in part by such clause and in part by one or more other clauses of this covenant otherwise permitting such Lien.

(g) *Limitation on Consolidation, Merger or Transfer of Assets*

(1) The Guarantor shall not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of its assets (on a consolidated basis) to, any Person, unless:

(A) The resulting, surviving or transferee Person (if not the Guarantor) shall be a Person organized and existing under the laws of Brazil or the United States of America, any State thereof or the District of Columbia or any other country that is a member country of the European Union or of the Organization for Economic Co-operation and Development or any other country whose long-term foreign currency-denominated debt has an Investment Grade rating from either S&P or Moody's as of the effective date of such transaction, and such Person shall expressly assume, by a supplement to the Indenture, executed and delivered to the Trustee, all obligations under the Guaranty and the Indenture;

(B) Immediately after giving effect to such transaction, no Event of Default will have occurred and be continuing; and

(C) The Guarantor shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger or transfer and such supplement to the Indenture, if any, comply with the Notes and the Indenture.

The Trustee will be entitled to conclusively rely on and will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clause (C) above, in which event it shall be conclusive and binding on the Holders.

(2) Upon any consolidation or merger, or any sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Guarantor in accordance with Section 5(g)(1) in which the Guarantor is not the continuing obligor under the Guaranty and the Indenture, the surviving or transferor Person will succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under the Guaranty and the Indenture with the same effect as if such successor had been named as the Guarantor herein and therein. When a successor assumes all the obligations of its predecessor under the Guaranty and the Indenture, the predecessor will be released from those obligations; *provided* that in the case of a transfer by lease, the predecessor will not be released from the payment of principal and interest on the Guaranty.

(3) If, upon any such consolidation of the Guarantor with or merger of the Guarantor into any other corporation, or upon any conveyance, lease or transfer of the property of the Guarantor substantially as an entirety to any other Person, any property or assets of the Guarantor would thereupon become subject to any Lien, then unless such Lien could be created pursuant to Section 5(f) without equally and ratably securing the Notes, the Guarantor, prior to or simultaneously with such consolidation, merger, conveyance, lease or transfer, will as to such property or assets, secure the outstanding Notes (together with, if the Guarantor will so determine, any other Debt of the Guarantor now existing or hereinafter created which is not subordinate in right of payment to the Notes) equally and ratably with (or prior to) the Debt which upon such consolidation, merger, conveyance, lease or transfer is to become secured as to such property or assets by such Lien.

(h) *Repurchase of Notes upon a Change of Control*

Not later than 30 days following a Change of Control that results in a Ratings Decline, the Issuer or the Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount of Notes repurchased plus accrued and unpaid interest on such Notes to but excluding the date of purchase.

An "**Offer to Purchase**" must be made by written offer (with a copy to the Trustee), which will specify the principal amount of Notes subject to the offer and the purchase price. The offer must specify an expiration date (the "**Expiration Date**") not less than 30 days or more than 60 days after the date of the offer and a settlement date for purchase (the "**Purchase Date**") not more than five Business Days after the expiration date. The offer must include information concerning the business of the Guarantor and its Subsidiaries which the Guarantor in good faith believes will enable the holders to make an informed decision with respect to the Offer to Purchase. The offer will also contain instructions and materials necessary to enable holders to tender Notes pursuant to the offer. The Issuer or the Guarantor launching the Offer to Purchase will comply with Rule 14e-1 under the Exchange Act (to the extent applicable) and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

A holder may tender all or any portion of its Notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a Note tendered must be in a multiple of U.S.$1,000 principal amount and that the minimum holding of any holder must be no less than U.S.$200,000. Holders shall be entitled to withdraw Notes tendered up to the close of business on the Expiration Date. On the Purchase Date the purchase price will become due and payable on each Note accepted for purchase pursuant to the Offer to Purchase, and interest on Notes purchased will cease to accrue on and after the Purchase Date.

Neither the Issuer nor the Guarantor is required to offer to purchase the Notes unless the event that results in a Change of Control also results in a Ratings Decline. Consequently, if a Change of Control were to occur which does not result in a Rating Decline, neither the Issuer nor the Guarantor would be required to offer to repurchase the Notes. In addition, neither the Issuer nor the Guarantor will be required to make an Offer to Purchase upon a Change of Control if (1) a third party makes the Offer to Purchase in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer or the Guarantor and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase or (2) notice of redemption for all outstanding Notes has been given pursuant to the Indenture as described above under the caption "Redemption and Repurchase," unless and until there is a default in payment of the applicable redemption price.

In the event that the holders of not less than 90% of the aggregate principal amount of the outstanding Notes accept an Offer to Purchase and the Issuer, the Guarantor (or one of its Affiliates) or a third party purchases all the Notes held by such holders, the Issuer and the Guarantor will have the right, on not less than 30 nor more than 60 days' prior notice thereafter (with a copy to the trustee), given not more than 30 days following the purchase pursuant to the Change of Control offer described above, to redeem all of the Notes that remain outstanding following such purchase at the purchase price equal to that in the Offer to Purchase plus, to the extent not included in the Offer to Purchase payment, accrued and unpaid interest and additional amounts, if any, on the Notes that remain outstanding, to the date of redemption.

Notwithstanding anything to the contrary contained herein, an Offer to Purchase maybe made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Offer to Purchase is made.

The Guarantor agrees to obtain all necessary consents and approvals from the Central Bank for any remittance of funds outside of Brazil prior to making any Offer to Purchase, if necessary.

(i) *Reporting Requirements*

The Guarantor will provide the Trustee with the following reports for delivery to noteholders upon their written request therefor:

(1) an English language version of the Guarantor's annual audited consolidated financial statements prepared in accordance with GAAP not later than 120 days after the close of its fiscal year;

(2) simultaneously with the delivery of the financial statements referred to in clause (1) above, an officer's certificate stating whether an Event of Default or Default exists on the date of such certificate and, if an Event of Default or Default exists, setting forth the details thereof and the action being taken or proposed to take with respect thereto;

(3) within ten calendar days after any director or officer of the Issuer or the Guarantor becomes aware of the existence of an Event of Default or Default, an officer's certificate setting forth the details thereof and what action the Issuer or the Guarantor proposes to take with respect thereto.

The above reports may be delivered by the Guarantor to the Trustee in physical or electronic form, as determined by the Guarantor.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's or the Guarantor's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on officer's certificates).

If the Guarantor makes the reports described in clause (1) available on its website, it will be deemed to have satisfied the reporting requirement set forth in such clause.

(j) *Waiver of Certain Covenants*

The Issuer or the Guarantor may omit in any particular instance to comply with any term, provision or condition set forth in Sections 5(f), (g), (h), (i) or (k) inclusive, if before or after the time for such compliance the Holders of at least a majority in principal amount of the outstanding Notes waive such compliance in such instance with such term, provision or condition, or generally waive compliance with such term, provision or condition, but no such waiver will extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver will become effective, the obligations of the Issuer or the Guarantor in respect of any such term, provisions or conditions will remain in full force and effect. The Issuer or the Guarantor will provide the Trustee with prompt written notification of any waiver of any covenant.

(k) *Limitations and Restrictions on the Issuer*

The Indenture contains the following covenants:

- the Issuer will not engage in any business, or conduct any operations, other than to finance the operations of the Guarantor and its subsidiaries and activities that are reasonably ancillary thereto (including, without limitation, on-lending of funds, repurchases of Debt not prohibited by the Indenture, entering into transactions involving Hedging Obligations relating to such Debt and investments not prohibited by the Indenture);

- the Issuer will not incur any Debt other than (1) the Notes and (2) any other Debt which (i) ranks equally with the notes or (ii) is subordinated to the notes;

- the Issuer will not redeem any of its shares; and

- the Issuer will not incur any Liens on any of its assets, except for any Liens imposed by operation of law.

The Guarantor and the Issuer will also agree in the Indenture that, for so long as any of the Notes are outstanding, neither the Guarantor nor the Issuer will take any corporate action with respect to:

- the consolidation or merger of the Issuer with or into any other person, except that the Issuer may merge with the Guarantor or a Wholly-Owned Subsidiary;

- the voluntary liquidation, wind-up or dissolution of the Issuer while the Issuer is the issuer of the Notes, unless the Guarantor fully and unconditionally assumes all of the obligations of the Issuer, including the Notes; or

- the transfer or disposition by the Guarantor of the Issuer to any person other than a Wholly-Owned Subsidiary, except as permitted under "—Limitation on Consolidation, Merger or Transfer of Assets."

(l) *Substitution of the Issuer*

Notwithstanding any other provision contained in the Indenture, (i) the Issuer may, without the consent of the holders of the Notes, be replaced and substituted by (i) the Guarantor or (ii) any Wholly Owned Subsidiary of the Guarantor as principal debtor (in such capacity, the "**Substituted Debtor**") in respect of the Notes provided that:

(A) such documents shall be executed by the Substituted Debtor, the Guarantor and the Trustee as may be necessary to give full effect to the substitution, including a supplemental Indenture whereby the Substituted Debtor assumes all of the Issuer's obligations under the Indenture and Notes (together, the "**Issuer Substitution Documents**");

(B) if the Substituted Debtor is organized in a jurisdiction other than the Cayman Islands, the Issuer Substitution Documents will contain covenants (1) to ensure that each Holder of

Notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of Additional Amounts; and (2) to indemnify each Holder and beneficial owner of Notes against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such Holder or beneficial owner of Notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made and (b) which are imposed on such Holder or beneficial owner of Notes by any political subdivision or taxing authority of any country in which such Holder or beneficial owner of the Notes resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made, in each case, subject to similar exceptions set forth under clauses (B) through (H) under "—Additional Amounts," *mutatis mutandis*; provided, that any holder making a claim with respect to such tax indemnity shall provide the Issuer with notice of such claim, along with supporting documentation, within four weeks of the announcement of the substitution of the Issuer as issuer;

(C) the Issuer shall have delivered, or procured the delivery to the Trustee of, an opinion of counsel to the effect that the Issuer Substitution Documents constitute valid and binding obligations of the Substituted Debtor;

(D) the Substituted Debtor shall have appointed a process agent in the Borough of Manhattan, the City of New York to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Issuer Substitution Documents;

(E) no Event of Default will have occurred and be continuing; and

(F) the substitution will comply with all applicable requirements under the laws of the jurisdiction of organization of the Substitute Issuer, New York and Brazil

Upon the execution of the Issuer Substitution Documents as referred to in paragraph (A) above, the Substituted Debtor shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. Except as set forth above, the execution of the Issuer Substitution Documents shall operate to release the Issuer (or such previous substitute as aforesaid) from all its obligations in respect of the Notes and its obligation to indemnify the Trustee under the Indenture. Upon the execution of the Issuer Substitution Documents as referred to in paragraph (A) above, the Issuer and the Substituted Debtor will not be subject to the provisions of the covenant described above under the caption "—Limitation and Restrictions on the Issuer."

6. **Events of Default**

"Event of Default" means, when used herein, any one of the following events:

(1) the Issuer or the Guarantor fails to pay any amount of (a) principal in respect of the Notes when the same becomes due and payable upon redemption, upon declaration or otherwise or (b) interest in respect of the Notes and such failure continues for a period of 30 days;

(2) the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Guaranty (other than those referred to in clause (1) of this Section 6) and such default remains unremedied for 60 days after the written notice specified below;

(3) the Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Guarantor or any such Significant Subsidiary) whether such Debt or guaranty now exists, or is created after the date of the Indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its expressed maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has

been so accelerated, totals U.S.$100,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate;

(4) one or more final judgments or decrees for the payment of money in excess of U.S.$100,000,000 (or the equivalent thereof at the time of determination) (other than judgments covered by enforceable insurance policies issued by reputable and creditworthy insurance companies) in the aggregate are rendered against the Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 90 days following commencement of such enforcement proceedings or (b) there is a period of 90 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(5) certain events of bankruptcy or insolvency described in the Indenture with respect to the Guarantor or any Significant Subsidiary; and

(6) the Guaranty is not (or is claimed by the Guarantor not to be) in full force and effect.

A Default under clause (2) or (3) of this Section 6 is not an event of default until the Trustee or the Holders of at least 25% in principal amount of the Notes outstanding notify the Issuer and the Guarantor of the Default and the Issuer and/or the Guarantor does not or do not cure such Default within the time specified after receipt of such notice.

The Trustee is not to be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an authorized officer or agent of the Trustee with direct responsibility for the administration of the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to such authorized officer of the Trustee by the Issuer, the Guarantor or any Holder.

If an Event of Default (other than an Event of Default specified in clause (5) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Notes then outstanding may declare all unpaid principal of and accrued interest on all Notes to be due and payable immediately, by mailing a notice in writing to the Issuer and the Guarantor, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (5) above) occurs and is continuing, then the principal of and accrued interest on all Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

In the case of any Event of Default referred to in clauses 3(a) and/or 3(b) above, such Event of Default will be automatically rescinded or annulled if the Payment Default and/or the acceleration of the Debt referred to therein is remedied or cured by the Issuer, the Guarantor or such Significant Subsidiary or waived by the holders of such Debt.

At any time after a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by any Holder, the Holders of a majority in principal amount of the Notes by written notice to the Issuer may rescind or annul such declaration if:

(i) the Issuer has paid or deposited with the Trustee and the other Paying Agents a sum sufficient to pay (a) all overdue interest (including any Additional Amounts) on outstanding Notes, (b) all unpaid principal of the Notes that has become due otherwise than by such declaration of acceleration and (c) to the extent that payment of such interest (including any Additional Amounts) is lawful, interest on such overdue interest (including any Additional Amounts) as provided herein and (d) all sums paid or advanced by the Trustee and the reasonable and duly-documented compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(ii) all Events of Default have been cured or waived as provided in Section 7 other than the nonpayment of principal that has become due solely because of acceleration.

No such rescission will affect any subsequent Default or Event of Default or impair any right consequent thereto.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default will occur and be continuing, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders will have offered to the Trustee indemnity satisfactory to the Trustee. Subject to such provision for the indemnification of the Trustee and certain other conditions set forth in the Indenture, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee.

7. **Modification and Waiver**

Modifications and amendments to the Indenture and the Notes may be made by the Issuer and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes at the time outstanding that are affected by such amendment, but no such modification or amendment may, without the consent of the Holder of each Note affected thereby:

(1) change the stated maturity of principal of or interest on any such Note, or reduce the principal amount of any such Note or the rate of interest thereon, or any premium or principal payable upon redemption thereof, or change any place where, or change the currency in which, any such Note or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity Date is otherwise due and payable (or, in the case of redemption, on or after the Optional Redemption Date);

(2) reduce the percentage in aggregate principal amount of such outstanding Notes, the consent of whose Holders is required for any such amendment or modification to such Notes or the Indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) provided for in the Indenture;

(3) change any obligation on the Issuer's or the Guarantor's part to maintain an office or agency in the places and for the purposes specified in such Notes and the Indenture; or

(4) amend or modify certain provisions of such Notes or the Indenture pertaining to the waiver by Holders of such Notes of past defaults, amendments or modifications to such Notes or the Indenture with the consent of the Holders of such Notes and the waiver by Holders of such Notes of certain covenants, except to increase any specified percentage in aggregate principal amount required for any actions by Holders of Notes or to provide that certain other provisions of the Notes or the Indenture cannot be modified or waived without the consent of the Holder of each such Note affected thereby.

It will not be necessary for the consent of the Holders under the preceding paragraph to approve the particular form of any proposed amendment, but it will be sufficient if such consent approves the substance thereof. After an amendment under the preceding paragraph becomes effective, the Issuer will deliver to the Holders a notice briefly describing such amendment. The failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of an amendment under the preceding paragraph.

The Holders of a majority in aggregate principal amount of the outstanding Notes may waive on behalf of the Holders of all Notes an existing Default or Event of Default and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, on or interest on a Note or (ii) a Default or Event of Default in respect of a provision that under this Section 7 cannot be modified or amended without the consent of the Holder of each outstanding Note. When a Default or Event of Default is waived, it is deemed cured, but no such waiver will extend to any subsequent or other Default or Event of Default or impair any consequent right.

The Issuer and the Trustee may, without the vote or consent of any Holder of Notes, modify or amend the Indenture or the Notes for the purpose of:

(a) adding to the covenants of the Issuer for the benefit of the Holders of the Notes;

(b) surrendering any right or power conferred upon the Issuer;

(c) securing the Notes pursuant to the requirements thereof or otherwise;

(d) evidencing the succession of another corporation to the Issuer and the assumption by any such successor of the covenants and obligations of the Issuer in the Notes and in the Indenture pursuant to any merger, consolidation or sale of assets;

(e) correcting any ambiguity, inconsistency or defective provision contained in the Indenture or in the Notes;

(f) making any modification, or granting any waiver or authorization of any breach or proposed breach of any of the terms and conditions of the Notes or any other provisions of the Indenture in any manner which the Issuer may determine and which does not adversely affect the interest of any Holders of Notes in any material respect;

(g) making any modification which is of a minor or technical nature or correcting a manifest error; or

(h) conforming the Indenture to the provisions of set forth in these Terms and Conditions.

Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note. Any modifications, amendments or waivers to the Indenture or to the terms and conditions of any Notes will be conclusive and binding on all Holders of such Notes, whether or not they have given such consent.

8. **Replacement of Notes**

Notes that become mutilated, destroyed, stolen or lost will be replaced upon delivery thereof to the Trustee or delivery to the Issuer and the Trustee of evidence of the loss, theft or destruction thereof satisfactory to the Issuer and the Trustee. In the case of a lost, stolen or destroyed Note, an indemnity satisfactory to the Trustee and the Issuer may be required at the expense of the Holder of such Note before a replacement Note will be issued. Upon the issuance of any Note, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and the expenses of the Trustee, its counsel and its agents) connected therewith.

9. **Notices**

Notices to Holders of Notes will be deemed to be validly given (i) if sent by first class mail to them (or, in the case of joint Holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing and (ii) for so long as such Notes are listed on any stock exchange, and so long as and to the extent the rules of such stock exchange so require, upon publication in English in a leading daily newspaper of general circulation in the country in which such stock exchange is located. In the case of Global Notes, such notices shall instead be sent to DTC or its nominee, as the Holder thereof, and such clearing agency or agencies will communicate such notices to its participants in accordance with their standard procedures. As long as the Notes are listed on the official list of the Luxembourg Stock Exchange and its rules so require the Issuer also give notices to the holders of the Notes by publication in a daily newspaper of general circulation in Luxembourg (which is expected to be *Luxemburger Wort*). If publication in Luxembourg is impracticable, the Issuer will make the publication elsewhere in Western Europe. By daily newspaper, the Issuer means a newspaper that is published on each day, other than Sunday or holiday Luxembourg or, when applicable, elsewhere in Western Europe. Notices may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).

Neither the failure to give notice nor any defect in any notice given to any particular Holder of a Note shall affect the sufficiency of any notice with respect to any other Notes.

10. **Currency Indemnity**

Any amount received or recovered in a currency other than the currency (the "**Denomination Currency**") in which such Note is denominated or in which such amount is payable, whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or otherwise (the "**Judgment Currency**"), by the Holder of the Notes in respect of any sum expressed to be due to it from the Issuer or the Guarantor hereunder shall constitute a discharge of the Issuer only to the extent of the amount of the denomination currency that the Holder is able to purchase with the amount so received or recovered in the judgment currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). The Issuer agrees that it will indemnify the relevant Holder against any loss arising or resulting from any variation in rates of exchange between (i) the rate of exchange at which the denomination currency is converted into the judgment currency for the purpose of such judgment or order, winding up, dissolution or otherwise and (ii) the rate of exchange at which such Holder would have been able to purchase the denomination currency with the amount of the judgment currency actually received by such Holder if such Holder had utilized such amount of judgment currency to purchase the denomination currency as promptly as practicable upon such Holder's receipt thereof. This indemnity will constitute a separate and independent obligation from the other obligations contained in the terms and conditions of the Notes, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment, order, claim or proof for a liquidated sum or sums in respect of amounts due in respect of the relevant Note or under any such judgment, order, claim or proof. The term "rate of exchange" will include an allowance for any customary or reasonable premiums and costs of exchange payable in connection with the purchase of, or conversion into, the relevant currency.

11. **Prescription**

Claims against the Issuer or the Guarantor for payments under the Notes or the Guaranty shall be prescribed unless made within a period of five years from the relevant payment date.

12. **Governing Law, Jurisdiction, Service of Process**

The Indenture, the Notes and the Guaranty are governed by, and will be construed in accordance with, the laws of the State of New York.

The Issuer and the Guarantor have irrevocably submitted to the non-exclusive jurisdiction of any state or federal court sitting in the Borough of Manhattan, City and State of New York for the purposes of any action or proceeding arising out of or related to the Notes, the Guaranty or the Indenture. The Issuer and the Guarantor have irrevocably waived, to the fullest extent permitted by law, any objection which it may have to the laying of the venue of any such action or proceeding brought in such a court and any claim that any such action or proceeding brought in such a court has been brought in an inconvenient forum and any right to which it may be entitled on account of place of residence or domicile. The Issuer and the Guarantor have agreed that final judgment in any such action or proceeding brought in such court shall be conclusive and binding upon such party and may be enforced in any court to the jurisdiction of which such party is subject by a suit upon such judgment; *provided, however*, that service of process is effected upon such Person in the manner specified in the following paragraph or as otherwise permitted by law.

As long as any Note remains outstanding, the Issuer and the Guarantor will at all times have an authorized agent in the Borough of Manhattan, City and State of New York, upon whom process may be served in any legal action or proceeding arising out of or relating to the Notes. Service of process upon such agent and written notice of such service mailed or delivered to the party being joined in such action or proceeding shall, to the extent permitted by law, be deemed in every respect effective service of process upon such party in any such legal action or proceeding. The Issuer and the Guarantor has each appointed National Corporate Research, Ltd., located at 10 East 40th Street, 10th Floor, New York, NY 10016 as its agent for service of process in any proceedings in the Borough of Manhattan, City and State of New York.

Service of process personally delivered upon the agents specified in the preceding paragraph and written notice of such service delivered to the Issuer and the Guarantor shall be deemed in every respect effective service of

process upon the Issuer and the Guarantor, *provided, however*, that no notice by mail on the Issuer and the Guarantor or any of its agents shall be deemed effective service of process.

13. **Certain Definitions**

As used in the Notes, the following terms have the meanings indicated below:

"**Additional Amounts**" has the meaning specified in Section 5(d).

"**Advance Transaction**" means an advance from a financial institution involving either (i) a foreign exchange contract (*Adiantamento sobre Contrato de Câmbio*—ACC) or (ii) an export contract (*Adiantamento sobre Contrato de Exportação*—ACE).

"**Affiliate**" means, with respect to any specified Person, (1) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (2) any other Person who is a director or officer (a) of such specified Person, (b) of any subsidiary of such specified Person or (c) of any Person described in clause (1) above. For purposes of this definition, "control" of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person, whether by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Business Day**" means any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in The City of New York, Tokyo, Japan or São Paulo, Brazil.

"**Capital Stock**" means, as applied to any Person, means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated), including any Preferred Stock, but excluding any debt securities convertible into or exchangeable for such equity.

"**Change of Control**" means:

(1) any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, other than Permitted Holders) is or becomes the "beneficial owner" (as such term is used in Rules 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Guarantor, including as a result of any merger or consolidation transaction including the Guarantor; or

(2) Permitted Holders, directly or indirectly, cease to have the power to direct or cause the direction of the management and policies of the Guarantor, whether through the ownership of voting securities, by contract or otherwise.

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by one of the Reference Treasury Dealers appointed by us as having an actual or interpolated maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

"**Comparable Treasury Price**" means, with respect to any Optional Redemption Date for the Notes:

- the arithmetic average of the Reference Treasury Dealer Quotations for such Optional Redemption Date, after excluding the highest and lowest of those Reference Treasury Dealer Quotations; or

- if the Issuer obtains fewer than four Reference Treasury Dealer Quotations, the arithmetic average of all such quotations obtained by the Independent Investment Banker.

"**Contingent Obligation**" means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to

keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "Contingent Obligations" shall not include endorsements for collection or deposit in the ordinary course of business.

"**CVM**" means the Brazilian *Comissão de Valores Mobiliários* (Securities Commission).

"**Debt**" means, as applied to any Person (a "**Debtor**"), without duplication:

(1) the principal of and premium, if any, in respect of (a) indebtedness of such Person for money borrowed and (b) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable (but excluding trade accounts payable or other short-term obligations to suppliers payable within 360 days, in each case arising in the ordinary course of business);

(2) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 360 days, in each case arising in the ordinary course of business);

(3) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance, surety bond or similar credit transaction if that similar credit transaction appears as a liability upon a balance sheet of such Person (other than obligations with respect to letters of credit securing obligations (other than obligations described in (1) and (2) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the third Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(4) all Hedging Obligations;

(5) all obligations of the type referred to in clauses (1) through (4) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Contingent Obligation (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof); and

(6) all obligations of the type referred to in clauses (1) through (4) of other Persons secured by any Lien on any property or asset of such Debtor other than Capital Stock of such other Person (whether or not such obligation is assumed by such Debtor), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured;

other than letters of credit and Hedging Obligations, if and to the extent any of the preceding items would appear as a liability upon the balance sheet of the specified person in accordance with GAAP.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**Fitch**" means Fitch Rating Service, Inc., and its successors.

"**GAAP**" means, as elected from time to time by the Issuer, (i) the accounting principles prescribed by Brazilian Corporate Law, the rules and regulations issued by applicable regulators, including the CVM, as well as the technical releases issued by the Brazilian Institute of Accountants (*Instituto Brasileiro de Contadores*), or (ii) International Financial Reporting Standards, in each case, as in effect from time to time.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any interest rate swap agreement, foreign currency exchange agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person against changes in interest rates or foreign exchange rates.

"**Independent Investment Banker**" means one of the Reference Treasury Dealers appointed by the Issuer.

"**Investment Grade**" means BBB− or higher by Standard & Poor's, Baa3 or higher by Moody's or BBB− or higher by Fitch, or the equivalent of such global ratings by Standard & Poor's, Moody's or Fitch.

"**issue**" means issue, assume, Guaranty, incur or otherwise become liable for; *provided, however*, that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be issued by such Subsidiary at the time it becomes a Subsidiary; and the term "issuance" has a corresponding meaning.

"**Issuer Order**" means a written order signed in the name of the Company by the Chief Executive Officer, the Chief Financial Officer or any other officer of the Issuer.

"**Lien**" means any mortgage, pledge, security interest, conditional sale or other title retention agreement or other similar lien.

"**Moody's**" means Moody's Investors Service, Inc., and its successors.

"**Non-Recourse Debt**" means Debt (or any portion thereof) of a Subsidiary of the Guarantor (the "**Non-Recourse Debtor**") used to finance (i) the creation, development, construction, improvement or acquisition of projects, properties or assets and any increases in or extensions, renewals or refinancings of such Debt or (ii) the operations of projects, properties or assets of such Non-Recourse Debtor or its Subsidiaries; *provided* that the recourse of the lender thereof (including any agent, trustee, receiver or other person acting on behalf of such entity) in respect of such Debt is limited (other than in respect of the Odebrecht Recourse Amount (as defined below)) to the Non-Recourse Debtor, any debt securities issued by the Non-Recourse Debtor, the Capital Stock of the Non-Recourse Debtor, and any assets, receivables, inventory, equipment, chattels, contracts, intangibles, rights and any other assets of such Non-Recourse Debtor and its Subsidiaries connected with the projects, properties or assets created, developed, constructed, improved, acquired or operated, as the case may be, in respect of which such Debt has been incurred; *provided, further*, that if such lender has contractual recourse to the Guarantor or to any Subsidiary of the Guarantor (other than the Non-Recourse Debtor and its Subsidiaries) for the repayment of any portion of such Debt (such portion, the "**Odebrecht Recourse Amount**"), then the Odebrecht Recourse Amount will not constitute Non-Recourse Debt and the Guarantor will be deemed to have incurred Debt in an aggregate principal amount equal to the Odebrecht Recourse Amount.

"**Odebrecht Group**" means Odebrecht S.A. or (except with respect to the definition of Permitted Holders) any of its respective Affiliates.

"**Optional Redemption Date**" means an optional date of redemption of the Notes pursuant to Section 4(b) or 4(c) of these Terms and Conditions and pursuant to the Indenture.

"**Permitted Holders**" means any or all of the following:

(a) the Odebrecht Group; and

(b) any Affiliate thereof.

"**Permitted Liens**" means, with respect to any Person:

(1) any Lien existing on the date of the Notes, and any extension, renewal or replacement thereof or of any Lien referred to in clause (2), (3), (4) or (11) below; *provided, however*, that the total amount of Debt so secured is not increased except for any increase reflecting premiums, fees and expenses in connection with such extension, renewal or replacement;

(2) any Lien on any property or assets (including Capital Stock of any Person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets including related transaction fees and expenses (or securing Debt incurred to refinance a bridge or other interim financing that is initially incurred for the purpose of financing such acquisition, construction or improvement of such property or assets including related transaction fees and expenses) after the date of the Indenture; *provided* that (i) the aggregate principal amount of Debt secured by the Liens shall not exceed (but may be less than) the cost (*i.e.*, purchase price) of the property or assets so acquired, constructed or improved and (ii) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets of the Guarantor or any Significant Subsidiary; *provided, further*, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the Person so acquired; and *provided, further*, that any Lien is permitted to be incurred on the Capital Stock of any Person that is (a) Non-Recourse Debt and (b) incurred for purposes of financing the acquisition, construction or improvement of any property or assets of such Person;

(3) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; *provided* that the Liens in respect of such Debt is limited to assets (including Capital Stock of the project entity), rights and/or revenues of such project; and *provided, further*, that the Lien is incurred before, or within 365 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets of the Guarantor or any Significant Subsidiary;

(4) any Lien existing on any property or assets of any Person before that Person's acquisition by, merger into or consolidation with the Guarantor or any Subsidiary after the date of the Indenture; *provided* that (i) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (ii) the Debt secured by the Liens may not exceed the Debt secured on the date of such acquisition, merger or consolidation, (iii) the Lien shall not apply to any other property or assets of the Guarantor or any of its Subsidiaries and (iv) the Lien shall secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(5) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(6) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal bonds in proceedings being contested in good faith to which the Guarantor or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which the Guarantor or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(7) any Lien in favor of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of the Guarantor or any Subsidiary in the ordinary course of business;

(8) any Lien securing taxes, assessments and other governmental charges, the payment of which are not yet due or are being contested in good faith by appropriate proceedings and for which such reserves or other appropriate provisions, if any, have been established as required by GAAP;

(9) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Guarantor or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(10) any rights of set-off of any Person with respect to any deposit account of the Guarantor or any Subsidiary arising in the ordinary course of business;

(11) any Liens granted to secure borrowings from, directly or indirectly, (i) *Banco Nacional de Desenvolvimento Econômico e Social*—BNDES (including loans from *Financiadora de Estudos e Projectos—FINEP*), Banco do Nordeste do Brasil S.A. or any other Brazilian federal, regional or state governmental development bank or credit agency or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or agency or official export-import credit insurer;

(12) any Lien securing Hedging Obligations under hedging agreements not for speculative purposes;

(13) any Liens on the inventory or receivables and related assets of the Guarantor or any Subsidiary securing the obligations of such Person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; *provided* that the aggregate amount of receivables securing Debt shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Guarantor's consolidated gross revenues from export sales for the most recently concluded period of four consecutive fiscal quarters or (ii) with respect to transactions secured by receivables from domestic sales, 80% of such Person's consolidated gross revenues from sales for the most recently concluded period of four consecutive fiscal quarters; and *provided*, *further*, that Advance Transactions shall not be deemed transactions secured by receivables for purpose of the above calculation;

(14) Liens securing obligations owed by any Restricted Subsidiary of the Guarantor to the Guarantor or one or more Restricted Subsidiaries of the Guarantor and/or by the Guarantor to one or more such Restricted Subsidiaries; and

(15) in addition to the foregoing Liens set forth in clauses (1) through (14) above, Liens securing Debt of the Guarantor or any Subsidiary (including, without limitation, guaranties of the Guarantor or any Subsidiary) which do not in aggregate principal amount, at any time of determination, exceed 15.0% of Total Consolidated Assets.

"**Person**" means any individual, corporation, partnership, joint venture, limited liability company trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" means, as applied to the Capital Stock of any corporation, Capital Stock of any class or classes (however designated) that is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such corporation, over shares of Capital Stock of any other class of such corporation.

"**Rating Agency**" means (i) Standard & Poor's, (ii) Moody's or (iii) Fitch.

"**Rating Decline**" means that at any time within 90 days (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by two Rating Agencies if the Notes are rated by three Rating Agencies or by one Rating Agency if the Notes are rated by two Rating Agencies or by one Rating Agency) after the date of public notice of a Change of Control, or of the Guarantor's intention or that of any Person to effect a Change of Control, the then applicable rating of the Notes is decreased by one or more categories by: (i) two Rating Agencies if the Notes are rated by three Rating Agencies, or (ii) one Rating Agency if the Notes are rated by two Rating Agencies or by one Rating Agency; *provided* that any such Rating Decline is in whole or in part in connection with a Change of Control.

"**Reference Treasury Dealer**" means at least three primary U.S. government securities dealers in New York City, New York designated by the Issuer not later than the fifth business day preceding such redemption date.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Optional Redemption Date, the arithmetic average, as determined by the Issuer, of the bid and asked prices of the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the

Issuer by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such Optional Redemption Date.

"**Restricted Subsidiary**" means any Subsidiary that is not an Unrestricted Subsidiary.

"**Significant Subsidiary**" means any Restricted Subsidiary of the Guarantor which at the time of determination either (1) had assets which, as of the date of the Guarantor's most recent quarterly consolidated balance sheet, constituted at least 10% of the Guarantor's total assets on a consolidated basis as of such date, or (2) had revenues for the 12-month period ending on the date of the Guarantor's most recent quarterly consolidated statement of income which constituted at least 10% of the Guarantor's total revenues on a consolidated basis for such period.

"**Standard & Poor's**" means Standard & Poor's Rating Group, a division of The McGraw-Hill Companies, Inc., and its successors

"**Stated Maturity Date**" means with respect to the Notes, the date specified as the fixed date on which the final installment of principal of the Notes is due and payable.

"**Subsidiary**" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (1) the Issuer or the Guarantor, (2) the Issuer or the Guarantor and one or more Subsidiaries or (3) one or more Subsidiaries.

"**Total Consolidated Assets**" means the total amount of assets of the Guarantor and its Subsidiaries as set forth in the most recent financial statements delivered by the Guarantor to the trustee in accordance with "—Covenants—Reporting Requirements," after giving *pro forma* effect to any acquisition or disposition of companies, divisions, lines of businesses, operations or assets by the Guarantor and its Subsidiaries subsequent to such date and on or prior to the date of determination.

"**Treasury Rate**" means, with respect to any Optional Redemption Date for the Notes, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated yield to maturity of the comparable treasury issue, as determined by a Reference Treasury Dealer appointed by the Issuer, of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Optional Redemption Date. The Treasury Rate will be calculated on and as of the third business day preceding the Optional Redemption Date.

"**Unrestricted Subsidiary**" means (i) any Subsidiary which (a) as of the date of the indenture has consolidated total assets not exceeding 1% of the Guarantor's total assets, and (b) at any relevant time of determination has no Debt other than (x) Non-Recourse Debt and (y) Odebrecht Recourse Amounts, and (ii) any corporation, association, partnership or other business entity that is not a Subsidiary as of the date of the indenture but which (a) becomes a Subsidiary following the date of the indenture, and (b) at any relevant time of determination has no Debt other than (x) Non-Recourse Debt and (y) Odebrecht Recourse Amounts.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned Subsidiary**" means a Subsidiary of which at least 95% of the Capital Stock (other than directors' qualifying shares) is directly or indirectly owned by the Guarantor.

TAXATION

The following discussion contains a description of the material Brazilian, Cayman Islands and United States federal income tax considerations that may be relevant to the acquisition, ownership and disposition of notes by a holder. This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your own tax advisors about the tax consequences of investing in and holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws. The following discussion summarizes the main Brazilian tax considerations relating to the acquisition, ownership and disposition of the notes by an individual, entity, trust or organization that is not resident or domiciled in Brazil for purposes of Brazilian taxation, or Non-Resident Holder.

This summary is based upon tax laws of Brazil, the Cayman Islands and the United States as in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, and to differing interpretations. You should consult your own tax advisors as to the Brazilian, Cayman Islands, the United States or other tax consequences of the purchase, ownership and disposition of notes.

Cayman Islands Taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

(1) payments of interest and principal on the notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the notes, nor will gains derived from the disposal of the notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax; and

(2) no stamp duty is payable in respect of the issue of the notes. An instrument of transfer in respect of a note in registered form is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands in the following form:

The Tax Concessions Law
(1999 Revision)
Undertaking as to Tax Concessions

In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with Odebrecht Finance Ltd. (the “Company”):

(1) That no law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(2) In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(x) on or in respect of the shares, debentures or other obligations of the Company; or

(y) by way of the withholding in whole or part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

(3) These concessions shall be for a period of twenty years from February 13, 2007.

Brazilian Tax Considerations

The following is a general summary of the Brazilian tax considerations relating to an investment in the notes by a non-resident of Brazil. It is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date, and is applicable to Odebrecht Finance Ltd. and Construtora Norberto Odebrecht S.A. The information set forth below is intended to be a general description only and does not address all possible tax consequences relating to an investment in the notes.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES OR COUPONS.

Generally, a holder that is an individual, entity, trust or organization resident or domiciled outside Brazil for tax purposes ("non-Brazilian holder") is taxed in Brazil only when income is derived from Brazilian sources or gains are realized on the disposition of assets located in Brazil. Therefore, based on the fact that Odebrecht Finance Ltd. is considered for tax purposes as domiciled abroad, any income (including interest and original issue discount, if any) paid by Odebrecht Finance Ltd. in respect of the notes issued by it in favor of non-Brazilian holders are not subject to withholding or deduction in respect of Brazilian income tax or any other taxes, duties, assessments or governmental charges in Brazil, *provided* that such payments are made with funds held by such entity outside of Brazil. It is expected that the notes will be issued without original issue discount.

If Construtora Norberto Odebrecht S.A. makes payments related to interest and original issue discount as guarantor in connection with the notes to a non-Brazilian holder, the Brazilian tax authorities could try to impose the withholding income tax at the rate of 15% (or 25%, in case the beneficiary is located in a tax haven jurisdiction) or at a lower rate provided for in any applicable tax treaty between Brazil and the country of the beneficiary. Investors should note that there is no tax treaty between Brazil and the United States. If Construtora Norberto Odebrecht S.A. makes payments of fees and commissions as guarantor under the notes, the Brazilian tax authorities could try to impose (i) withholding tax at the rate of 15% or 25% (depending on the nature of the service); (ii) CIDE at the rate of 10%; (iii) *Contribuição ao Programa de Integração Social* (PIS) and *Contribuição para o Financiamento da Seguridade Social* (COFINS) at the total rate of 9.25%; (iv) Tax on Services (ISS) at rates which may vary from 2% to 5%.

A tax haven is a jurisdiction that (i) does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%; (ii) where applicable local laws impose restrictions on the disclosure of the shareholding composition or the ownership of investments or the ultimate beneficiary of the income derived from transactions carried out and attributable to a Non-Resident Holder ("Tax-Haven Residents"). In addition, on June 24, 2008, Law 11,727 was enacted with effect from January 1, 2009, establishing the concept of "privileged tax regime", in connection with transactions subject to transfer pricing and thin capitalization rules, which is more comprehensive than the tax haven concept. A privileged tax regime is considered to apply to a jurisdiction that meets any of the following requirements: (i) does not tax income or that taxes it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or one of its territories or (b) conditioned upon the non-exercise of a substantial economic activity in the country or one of its territories, or (iii) does not tax proceeds generated abroad or taxes them at a maximum rate lower than 20%, or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Notwithstanding the fact that the "privileged tax regime" concept was enacted in connection with transfer pricing and thin capitalization rules, there is no assurance that Brazilian tax authorities will not attempt to apply the concept of Privileged Tax Regimes to other types of transactions. Prospective purchasers should consult with their own tax advisors regarding the consequences of the implementation of Law 11,727, Ordinance 1,037 and of any related Brazilian tax law or regulation concerning "tax haven" or "privileged tax regimes."

Capital gains generated outside Brazil as a result of a transaction between two non-residents of Brazil with assets located in Brazil are subject to tax in Brazil, according to article 26 of Law No. 10,833, enacted on December 29, 2003. Based on the fact that the notes are not issued by a Brazilian company and, thus, the notes will not fall within the definition of assets located in Brazil for purposes of Law No. 10,833, gains on the sale or other disposition of the notes made outside Brazil by a non-Brazilian holder to another non-Brazilian holder are not subject to Brazilian taxes. However, considering the general and unclear scope of this legislation and the absence of judicial guidance in respect thereto, we cannot assure prospective investors that such interpretation of this law will prevail in the courts of Brazil.

In case the notes are deemed to be located in Brazil, gains recognized by a non-Brazilian holder from the sale or other disposition of the notes to a non-resident in Brazil may be subject to income tax in Brazil at a rate of 15% or 25%, if such non-Brazilian holder is located in a tax haven jurisdiction, unless a lower rate is provided for in an applicable tax treaty between Brazil and the country where the non-Brazilian holder of the payment has its domicile.

The conversion into Brazilian currency of proceeds received by a Brazilian entity and the conversion into foreign currency of proceeds received in *reais* are subject to taxation of foreign exchange transactions (IOF/Câmbio). Currently, the IOF/Câmbio rate for almost all foreign currency exchange transactions, including foreign exchange transactions in connection with payments under the guaranty by the guarantor to Non-Resident Holders, is 0.38%, although the Brazilian federal government may increase such rate up to 25%. However, any increase in sales may only apply to future transactions.

Generally, there is no stamp, transfer or other similar tax in Brazil with respect to the transfer, assignment or sale of any debt instrument outside Brazil (including the notes) nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposition of the notes, except for gift and inheritance taxes imposed in some states of Brazil on gifts and bequests by individuals or entities not domiciled or residing in Brazil to individuals or entities domiciled or residing within such Brazilian states.

United States Federal Income Tax Consequences

The following discussion is based on the United States Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations promulgated thereunder (the "Regulations"), judicial decisions and administrative pronouncements, all as in effect on the date hereof and all of which are subject to change, perhaps with retroactive effect. The discussion addresses only U.S. Holders, as defined below, that purchase the notes in the original offering for their "issue price" (defined below), hold the notes as a capital asset, within the meaning of Section 1221 of the Code, and that use the United States dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as banks, financial institutions, insurance companies, dealers in securities or currencies, partnerships and other pass-through entities (and investors in such partnerships or entities), tax-exempt entities, traders who elect to mark their investment to market and persons holding the notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. Special rules also apply to individuals. The discussion does not address any U.S. federal tax consequences, such as the estate tax, gift tax or Medicare tax on net investment income, other than U.S. federal income tax consequences. Prospective investors should consult their own tax advisors regarding the specific U.S. federal tax consequences of purchasing, holding and disposing of the notes, as well as the effects of state, local and foreign tax law and any proposed tax law changes.

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, U.S. HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON U.S. HOLDERS UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) U.S. HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

For purposes of this discussion, "U.S. Holder" means the beneficial owner of a note that is for U.S. federal income tax purposes (1) a citizen or resident of the United States, (2) a corporation or other business entity treated as a corporation for U.S. federal income tax purposes and organized in or under the laws of the United States or any political subdivision thereof, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, (4) a trust if a (i) court within the United States is able to exercise primary supervision over its administration and (ii) one or more "United States persons" have authority to control all of its substantial decisions, or (5) a trust that has a valid election in effect under applicable Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership (or other entity). A partner in a partnership (or such entity) holding notes should consult its own tax advisor with regard to the U.S. federal income tax consequences of owning notes.

Stated interest

It is expected and this discussion assumes that either the issue price of the notes will equal the stated principal amount of the notes or the notes will be issued with no more than a *de minimis* amount of original issue discount. Therefore, interest on the notes will be includible in the gross income of a U.S. Holder as ordinary interest income in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes. The interest will constitute foreign source income for U.S. federal income tax purposes, which may be relevant to a U.S. Holder in calculating such U.S. Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, interest paid on the notes generally will constitute "passive category income" or, in the case of certain U.S. Holders, "general category income." U.S. Holders should consult with their own tax advisors with regard to the availability of a credit or deduction in respect of foreign taxes and, in particular, the application of the foreign tax credit rules to their particular situations.

Certain contingent payments

In certain circumstances, the issuer may be obligated to make contingent payments on the notes. Under the contingent payment debt instrument Regulations ("CPDI Regulations"), the possibility of a contingent payment on a note may be disregarded if the likelihood of the contingent payment, as of the date the notes are issued, is remote or incidental. We do not intend to treat the possibility of the contingent payments on the notes as subjecting the notes to the CPDI Regulations. It is possible, however, that the Internal Revenue Service ("IRS") may take a different position regarding the possibility of such contingent payments, in which case, if the position of the IRS were sustained, the timing, amount and character of income recognized with respect to a note may be different than described herein and a U.S. Holder may be required to recognize income significantly in excess of payments received and may be required to treat as interest income all or a portion of any gain recognized on the disposition of any note. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments. U.S. Holders should consult their tax advisors regarding the potential application of the CPDI Regulations to the Notes.

Disposition of the notes

A U.S. Holder generally will recognize gain or loss on the sale, exchange, retirement or other taxable disposition of a note equal to the difference between the amount realized on the sale, exchange, retirement or other taxable disposition (other than payments attributable to accrued but unpaid interest which will be treated as a payment of interest) and the tax basis of the note. A U.S. Holder's tax basis in a note generally will be its cost to the U.S. Holder. Any gain or loss recognized upon the sale or other taxable disposition of a note by a U.S. Holder generally will be U.S. source capital gain or loss, and will be treated as long-term capital gain or loss if, at the time of the sale or other taxable disposition, the U.S. Holder has held the note for more than one year. Long-term capital gains recognized by a non-corporate U.S. Holder generally are subject to U.S. federal income taxation at preferential rates. Capital gains of a corporate U.S. Holder generally are taxable at the regular rates applicable to corporations. The deductibility of capital losses is subject to significant limitations.

Substitution of the issuer

The issuer may, subject to certain conditions, be replaced and substituted by the Guarantor or any Wholly Owned Subsidiary of the Guarantor as principal debtor in respect of the notes (see "Terms and Conditions—Covenants—Substitution of the Issuer"), which may result in a taxable gain or other adverse tax consequences to holders. If the Substituted Debtor is organized in a jurisdiction other than the Cayman Islands, the Issuer Substitution Documents will contain covenants to indemnify each Holder and beneficial owner of notes against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such holder or beneficial owner of notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made and (b) which are imposed on such holder or beneficial owner of notes by any political subdivision or taxing authority of any country in which such holder or beneficial owner of the notes resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made, in each case subject to certain exceptions and a notice requirement. U.S. Holders are urged to consult their own tax advisors regarding any potential adverse tax consequences to them that may result from a substitution of the issuer.

Information reporting and backup withholding

Generally, tax reporting and backup withholding of U.S. federal income tax may apply to payments made to a U.S. Holder of the notes, or to proceeds from the sale by such owners of the notes, if such owner is not an "exempt recipient" and fails to provide certain identifying information (such as the owner's taxpayer identification number) in the required manner, or the IRS otherwise directs the paying agent to withhold. Any amounts withheld under the backup withholding rules from payments to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is furnished to the IRS in a timely manner.

Foreign asset reporting

U.S. tax law requires certain U.S. Holders who are individuals to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by financial institutions). U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of the notes.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated April 17, 2013, the issuer has agreed to sell to the initial purchasers named below, and each of the initial purchasers has agreed, severally and not jointly, to purchase from the issuer, the following respective principal amounts of notes:

Initial Purchasers	Principal Amount of Notes
Banco BTG Pactual S.A. – Cayman Branch	U.S.$110,000,000
Credit Agricole Securities (USA) Inc.	110,000,000
Deutsche Bank Securities Inc.	110,000,000
Santander Investment Securities Inc.	110,000,000
Scotia Capital (USA) Inc.	110,000,000
Total	**U.S.$550,000,000**

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. We have agreed to indemnify the several initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The initial purchasers may offer and sell notes through certain of their affiliates.

Banco BTG Pactual S.A. – Cayman Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any securities in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that Banco BTG Pactual S.A. – Cayman Branch intends to effect sales of the Securities in the United States, it will do so only through BTG Pactual US Capital, LLC or one or more U.S. registered broker-dealers, or otherwise as permitted by applicable U.S. law.

Commissions and Discounts

The initial purchasers propose to offer the notes initially at the offering price on the cover page of this offering memorandum and may also offer the notes to selling group members at the offering price less a concession. After the initial offering, the offering price may be changed.

The Notes Are Not Being Registered

The notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act. The initial purchasers will not offer, sell or deliver the notes (1) as part of their distribution at any time or (2) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, other than in accordance with Rule 144A, and they will send to each broker-dealer to which they sell notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of notes within the United States by a broker-dealer (whether or not it is participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or another

exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made the acknowledgements, representations and agreements described under "Transfer Restrictions" below.

New Issue of Notes

We delivered the notes against payment for the notes on the date specified in the last paragraph of the cover page of this offering memorandum, which was be the sixth business day following the date of the pricing of the notes.

There can be no assurance that an active trading market will exist for the notes. We have applied to list the notes on the Luxembourg Stock Exchange for admission to trading on the Euro MTF market. However, we cannot assure you that an active trading market will develop. We have been advised by the initial purchasers that they intend to make a market in connection with the issuance of the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not continue after the issuance of the notes, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Short Positions

In connection with this offering, certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, the initial purchasers may bid for and purchase notes in the open market to stabilize the price of the notes. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market. In addition, the initial purchasers may bid for and purchase the notes in market-making transactions and impose penalty bids.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher that they would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking, financial advisory and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The initial purchasers are acting as dealer managers in the concurrent tender offer we are conducting for the 2020 notes and the 2023 notes that is described elsewhere in this offering memorandum.

OOL is a party to two revolving credit facility agreements in the aggregate amount of U.S.$850.0 million with certain lenders that are affiliates of certain of the initial purchasers in this offering. As of the date hereof, we did not have any amounts drawn under this facility. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of CNO—Liquidity and Capital Resources— Standby Facilities."

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments, including serving as counterparties to certain derivative and hedging arrangements, and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, the initial purchasers or their affiliates may acquire the notes for their own proprietary account. Such transactions may have an impact on demand, price and other terms of the offering.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), the notes which are the subject of the offering contemplated by this offering memorandum will not be offered to the public in that Relevant Member State other than any offers in any Relevant Member State where from the time a prospectus has been approved by the competent authority in that Relevant Member State and published and, if applicable, notified to the relevant competent authority or authorities in accordance with the Prospectus Directive as implemented in such Relevant Member State, and provided that the issuer has consented in writing to use of a prospectus for any such offers, except that the notes may, with effect from and including the Relevant Implementation Date, be offered to the public in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant initial purchaser or initial purchasers nominated by the issuer for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Each purchaser of notes described in this offering memorandum located within a relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

We have not authorized and do not authorize the making of any offer of notes through any financial intermediary on our behalf, other than offers made by the initial purchasers with a view to the final placement of the notes as contemplated in this offering memorandum. Accordingly, no purchaser of the notes is authorized to make any further offer of the notes on our behalf or of the initial purchasers.

United Kingdom

Each of the initial purchasers severally agrees that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 200, or FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Brazil

The notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. The issuance of the notes has not been nor will be registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without prior registration under Law No. 6,385/76, as amended, and Instruction No. 400, issued by the CVM on December 29, 2003, as amended. Documents relating to the offering of the notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil. The notes will not be offered or sold in Brazil except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Cayman Islands

No invitation, whether directly or indirectly may be made to members of the public in the Cayman Islands to subscribe for the notes unless at the time of the invitation, the issuer is listed on the Cayman Islands Stock Exchange. Notes may, however, be offered and sold to ordinary non-resident and exempted companies of the Cayman Islands.

Chile

The notes will not be registered under the Securities Market Law (*Ley de Mercado de Valores No. 18,045*), as amended, of Chile with the Chilean Securities Commission (*Superintendência de Valores y Seguros*), and, accordingly, they may not be offered to persons in Chile except in circumstances that do not constitute a public offering under Chilean law.

Germany

The notes offered by this offering memorandum have not been and will not be offered to the public within the meaning of the German Sales Prospectus Act (*Verkaufsprospektgesetz*) or the German Investment Act

(*Investmentgesetz*). The notes have not been and will not be listed on a German exchange. No sales prospectus pursuant to the German Sales Prospectus Act has been or will be published or circulated in Germany or filed with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other governmental or regulatory authority in Germany. This offering memorandum does not constitute an offer to the public in Germany and it does not serve for public distribution of the notes in Germany. Neither this offering memorandum, nor any other document issued in connection with this offering, may be issued or distributed to any person in Germany except under circumstances which do not constitute an offer to the public within the meaning of the German Sales Prospectus Act or the German Investment Act.

France

The notes are being issued and sold outside the Republic of France and in connection with their initial distribution, are not being offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France. This offering memorandum and/ or any other offering material relating to the notes may not be distributed to the public in the Republic of France. Any offers, sales or distributions in the Republic of France will be made only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and *decrét* no. 98-880 dated 1st October, 1998.

Italy

The offering of the notes has not been registered pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered nor may copies of the offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of the offering memorandum or any other document relating to the notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Act"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, notes which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Netherlands

The notes may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, "Professional Investors"), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of our notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of our notes, and this offering memorandum or any other offering material relating to our notes may not be considered an offer or the prospect of an offer to sell or exchange our notes.

Luxembourg

The notes which are the subject of the offering contemplated by this offering memorandum will not be offered to the public in the Grand Duchy of Luxembourg, except that notes may be offered:

- in the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of notes to the public in an EEA Member State (including Luxembourg); and/or

- to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations; and/or

- to legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers; and/or

- to certain natural persons or small and medium-sized companies (as defined in the Directive 2003/71/EC) recorded in the register of natural persons or small and medium-sized companies considered as qualified investors and held by the Commission de Surveillance du Secteur Financier (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or

- in any other circumstances for which the Luxembourg Act of 10th July, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

Portugal

The notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes

with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then notes, debentures and units of notes and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the notes in Canada is being made only in the provinces of Ontario, Quebec, Alberta, British Columbia and Manitoba on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of notes are made. Any resale of the notes in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the notes.

Representations of Purchasers

By purchasing notes in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the notes without the benefit of a prospectus qualified under those securities laws as it is an "accredited investor" as defined under National Instrument 45-106 – Prospectus and Registration Exemptions,
- the purchaser is a "Canadian permitted client" as defined in National Instrument 31-103 - *Registration Requirements, Exemptions and Ongoing Registrant Obligations,* or as otherwise interpreted and applied by the Canadian Securities Administrators,
- where required by law, the purchaser is purchasing as principal and not as agent,
- the purchaser has reviewed the text above under "Resale Restrictions", and
- the purchaser acknowledges and consents to the provision of specified information concerning the purchase of the Notes to the regulatory authority that by law is entitled to collect the information, including certain personal information. For purchasers in Ontario, questions about such indirect collection of personal information should be directed to the Ontario Securities Commission, Administrative Support Clerk, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario, M5H 3S8 or to the following telephone number: (416) 593-3684.

Rights of Action—Ontario Purchasers

Under Ontario securities legislation, certain purchasers who purchase a security offered by this document during the period of distribution will have a statutory right of action for damages, or while still the owner of the notes, for rescission against us in the event that this document contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the notes in their particular circumstances and about the eligibility of the investment by the purchaser under relevant Canadian legislation.

TRANSFER RESTRICTIONS

The notes (including the guaranty) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only to (1) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in compliance with Rule 144A and (2) outside the United States to persons other than U.S. persons ("foreign purchasers"), which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S under the Securities Act.

By its purchase of notes, each purchaser of notes will be deemed to:

(1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above);

(2) acknowledge that the notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) if it is a person other than a foreign purchaser outside the United States, agree that if it should resell or otherwise transfer the notes, it will do so only (a) to us, (b) to a QIB in compliance with Rule 144A, (c) outside the United States in compliance with Rule 904 under the Securities Act or (d) pursuant to an exemption from the registration requirements of the Securities Act (if available);

(4) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;

(5) if it is a foreign purchaser outside the United States, (a) understand that the notes will be represented by the Regulation S global note and that transfers are restricted and (b) represent and agree that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person;

(6) understand that until registered under the Securities Act, the notes (other than those issued to foreign purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

(1) REPRESENTS THAT

(A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR

(B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND

(2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST

HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY

(A) TO THE COMPANY,

(B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,

(C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT,

(D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR

(E) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH 2(E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THIS LEGEND MAY BE REMOVED SOLELY AT THE OPTION OF THE ISSUER;

(7) understand that the following legend will appear on the face of the Regulation S global note which be used to notify transferees of the foregoing restrictions on transfer unless otherwise agreed by us and the holder thereof:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION; and

(8) acknowledge that we and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgements, representations or warranties deemed to have been made by it by its purchase of notes are no longer accurate, it shall promptly notify us and the initial purchasers; if they are acquiring notes as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

VALIDITY OF NOTES

The validity of the notes (including the guaranty) offered and sold in this offering will be passed upon for us by White & Case LLP, and for the initial purchasers by Clifford Chance US LLP. Certain matters of Brazilian law relating to the notes will be passed upon for the initial purchasers by Souza, Cescon, Barrieu e Flesch Advogados. Certain matters of Cayman law, including the validity of the notes, will be passed upon for us by Maples and Calder.

INDEPENDENT AUDITORS

Our consolidated financial statements at and for the years ended December 31, 2012 and 2011 and at and for the years ended December 31, 2011 and 2010, prepared in accordance with Brazilian GAAP are included elsewhere in this offering memorandum, and have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their reports appearing herein.

The financial statements of Odebrecht Finance at and for the years ended December 31, 2012 and 2011 and as at and for the years ended December 31, 2011 and 2010, prepared in accordance with Brazilian GAAP are included elsewhere in this offering memorandum, and have been audited by PricewaterhouseCoopers Auditores Independentes, independent auditors, as stated in their reports appearing herein. The audit reports included in the financial statements at and for the years ended December 31, 2012 and 2011 and at and for the years ended December 31, 2011 and 2010 contain explanatory paragraphs regarding Odebrecht Finance's deficit in stockholders' equity and negative working capital requiring additional long-term funds to cover its commitments, which are currently guaranteed by its shareholder.

LISTING AND GENERAL INFORMATION

We intend to have the notes accepted for clearance through DTC, Euroclear and Clearstream Luxembourg. The CUSIP and ISIN numbers and Common Codes for the notes are as follows:

	Regulation S Global Note	Rule 144A Global Note
CUSIP	G6710E AP5	675758 AL0
ISIN	USG6710EAP54	US675758AL08
Common Code	092217396	092281728

Copies of the issuer's and our latest audited consolidated annual financial statements and unaudited consolidated quarterly financial statements, if any, may be obtained during normal business hours at the offices of the trustee and any paying agent, including the Luxembourg paying agent. Copies of Odebrecht Finance's memorandum and articles of association and by-laws and our *estatuto social* (by-laws), as well as the indenture (including forms of the notes and the guaranty), will be available during normal business hours free of charge at the offices of the trustee and any paying agent, including the Luxembourg paying agent.

Except as disclosed in this offering memorandum, there has been no material adverse change in the issuer's or our financial position since December 31, 2012, the date of the issuer's or our latest financial statements included in this offering memorandum.

Except as disclosed in this offering memorandum, neither we nor the issuer are involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as either we or the issuer is aware is any such litigation or arbitration pending or threatened.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit to trading the notes on the Euro MTF market of the Luxembourg Stock Exchange.

The issuance of the notes was authorized by the directors of Odebrecht Finance on April 17, 2013. The issuance of the guaranty was authorized pursuant to a meeting of the officers of CNO on April 17, 2013.

INDEX TO FINANCIAL STATEMENTS

APPENDIX A
SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

General Information

As set out under "Presentation of Financial and Other Information", our financial statements as of and for the years ended December 31, 2010, 2011 and 2012 are prepared and presented in accordance with Brazilian GAAP. Accounting practices adopted in Brazil include those established by Brazilian corporate law (Law No. 6,404/76, as amended, including the amendments introduced by Law 11,638).

Brazilian GAAP differs from generally accepted accounting principles in the United States, or U.S. GAAP. There are certain differences between Brazilian GAAP and U.S. GAAP which may be relevant to the financial information presented herein. We are responsible for preparing the summary below. We have made no attempt to identify or quantify the impact of these differences for all the periods presented. We have summarised certain aspects of those differences, but this summary should not be construed to be exhaustive. Brazilian GAAP is stated more generally than U.S. GAAP and the body of pronouncements in which Brazilian GAAP is set forth is less comprehensive than in the case of U.S. GAAP. Since no reconciliation to U.S. GAAP of the consolidated financial statements presented in this offering memorandum or their respective footnotes has been prepared for the purposes of this offering memorandum or for any other purposes, no assurance is provided that the following summary of differences between Brazilian GAAP and U.S. GAAP is complete. This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

In making an investment decision, prospective investors must rely upon their own examination of Construtora Norberto Odebrecht S.A., the terms of the offering and the financial information herein. Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and U.S. GAAP, and how those differences might affect the financial information herein. Future differences between Brazilian GAAP and U.S. GAAP resulting from changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and we have not attempted to identify them, including ongoing projects of the regulatory bodies that promulgate Brazilian GAAP and U.S. GAAP that can affect future comparisons between Brazilian GAAP and U.S. GAAP, such as this summary.

Monetary Correction of Financial Statements

Due to the highly inflationary conditions which have prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimise the impact of distortions in financial statements caused by inflation. However, from January 1, 1996, no inflation accounting adjustments are permitted for financial statements prepared under Brazilian GAAP.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. However, price level restatement is permitted for companies operating in hyper-inflationary environments, where inflation has exceeded 100.0% over the last three years, and who report in local currency. Until June 30, 1997, Brazil was considered to have a hyper-inflationary economy.

Foreign Currency Translation

Under Brazilian GAAP, the financial statements of subsidiaries operating in non-highly-inflationary currency environments are translated using the current exchange rate. Financial statements of entities operating in highly inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken into the income statement.

Under U.S. GAAP, FASB Codification ("ASC") 830 provides for two different translation methodologies, depending on which is the functional currency of the subsidiary. For subsidiaries operating in highly-inflationary environments (a cumulative inflation rate of approximately 100.0% or more over a three-year period) the reporting currency is considered to be the functional currency.

When the functional currency of the subsidiary is the local currency, the translation of foreign currency financial statements from the local currency to the reporting currency should be made using the current exchange rate for all assets and liabilities. Revenue and expenses should be translated at the exchange rate on the dates when they were recognised. Translation gains and losses are reported as a separate component of stockholders' equity. When the functional currency of the subsidiary is a currency other than the local currency, including the reporting currency, the methodology differs in that the translation gain and losses should be recognised in income.

Equity Method of Accounting

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost which is there after periodically adjusted to recognise the investor's share of the investee's earnings or losses after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments when the investor has significant influence, when it owns 20.0% or more of the voting capital of the investee, or when the investee is under common control with the reporting company, in all cases irrespective of the materiality of the investment.

Under U.S. GAAP, the equity method of accounting is applicable to those investments: (i) in which the parent company's participation through common voting stock is greater than 20.0% and less than 50.0% and where the parent company does not have control; or (ii) in which the parent company's participation through common voting stock is less than 20.0%, but the parent company exerts significant influence. The equity method of accounting is not an appropriate substitute for consolidation and, where consolidated financial statements are required, unconsolidated financial statements are not reported.

Consolidation and Proportional Consolidation

Under Brazilian GAAP, companies should consolidate the following entities: (i) entities in which the company has voting rights that provide it with the ability to have the majority on corporate decisions or to elect the majority of the members of both the Administrative Council and the Board; (ii) overseas branches; and (iii) companies under common control or controlled by stockholders' agreements irrespective of their participation in voting stock. Joint ventures (including investees in which the company exerts significant influence through its participation in a stockholders' agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. Additionally, companies are required to consolidate special-purpose entities ("SPE") when the nature of its relationship with the reporting company indicates that the activities of the SPE are controlled or joint-controlled, directly or indirectly, by the reporting company.

Under Brazilian GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as "minority interest". Minority interest is presented after the liability section and before shareholders equity in the balance sheet and the portion of net income corresponding to minority interest is deducted in arriving to net income.

Under U.S. GAAP, two models exist which should be assessed to determine whether an entity should be consolidated: the voting interest model and the variable interest model. An initial analysis should be made to conclude whether consolidation is required under the variable interest model established by ASC 810-10. If an entity is not required to be consolidated under the variable interest model it should be assessed if consolidation is required under the voting interest model.

Under the voting model, the usual condition for consolidation is ownership of a majority voting interest, and therefore, as a general rule, ownership by one company, directly or indirectly, of over 50.0% of the outstanding voting shares of another company. Joint ventures are usually accounted following the equity method of accounting. Proportional consolidation generally is not allowed under U.S. GAAP.

ASC 810-10 requires consolidation of "variable interest entities". Variable interest entities are entities with the following characteristics: (i) the equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; and (ii) the equity investors lack one or more of the

following essential characteristics of a controlling financial interest: (a) the direct or indirect ability to make decisions about the entity's activities through voting rights or similar rights, (b) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities and (c) the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses. Specific disclosures are required to be made in financial statements regarding variable interests.

Under U.S. GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as a "non-controlling interest". Non-controlling interests are presented as part of shareholders equity in the balance sheet and the portion of net income corresponding to non-controlling interests is not deducted in arriving to net income.

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian GAAP, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is generally based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is generally calculated as the difference between the cost of acquisition and the net book value. Goodwill is amortised over a period not to exceed ten years with immediate amortisation accepted. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses or otherwise is normally only realised upon disposal of the investment.

Under U.S. GAAP, ASC 805, requires, among other things, that all business combinations, except those involving entities under common control, be accounted for by the purchase method. Under the purchase method, the acquiring company records identifiable assets and liabilities acquired based on their fair values. Goodwill and other intangible assets with indefinite lives are not amortised. The amount of goodwill is evaluated for impairment at least annually or when circumstances indicate impairment has occurred, and in the case of impairment, its recorded value will be adjusted accordingly. The purchase price does not include direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should also be valued at fair value, at the date of the consummation of the transaction. The excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, is allocated to reduce non-current assets to zero, and any remaining unallocated balance is recognised as an extraordinary gain in the statement of operations.

Marketable Debt and Equity Securities

Under Brazilian GAAP, the Central Bank establishes the criteria by which securities are classified, based on the investment strategy of the financial institution as either trading securities, available for sale or held-to maturity, and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available for sale securities it is directly in stockholders' equity. An impairment loss for security classified as "available-for-sale" or "held-to maturity" whose cost exceeds its fair value is required to be recorded when such loss is considered permanent. No specific guidance exists under Brazilian GAAP on how to determine fair value.

Under U.S. GAAP, in accordance with ASC 320, marketable securities are carried at: (i) amortised cost (debt securities held to maturity); (ii) market value, with gains and losses reflected in income (debt and equity securities classified as trading account securities); and (iii) market value, with gains and losses reflected in equity (debt and equity securities classified as available for sale). Under U.S. GAAP an impairment loss is recognized when the loss is considered to be other-than-temporary. U.S. GAAP includes several standards that prescribe how to determine fair value and a hierarchy on criteria for determining fair values exists.

Comprehensive Income

Brazilian GAAP does not recognise the concept of comprehensive income.

Under U.S. GAAP, ASC 220 requires the disclosure of comprehensive income. Comprehensive income is composed of net income and "other comprehensive income" that includes charges or credits taken directly to equity

that are not the result of transactions with owners. Examples of other comprehensive income items are cumulative translation adjustments, unrealized gains and losses for available-for-sale securities, as well as the effects of cash flow hedge accounting and the funded status of pension and other post-retirements benefits.

Accounting for Guarantees by a Guarantor

Under Brazilian GAAP, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognised in income over the period of the guarantee. When the guaranteed party has not honoured its commitments and the guarantor should assume a liability, a credit is recognised against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under U.S. GAAP, ASC 460 requires that a guarantor is required to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Specific disclosures of guarantees granted are also required.

Accrued Interest, Indexation Adjustments and Gains and Losses

Under Brazilian GAAP, accrued interest and indexation adjustments are presented with the principal amounts in the balance sheet. Income from financial intermediation and expenses from financial intermediation in the statement of income comprise interest, indexation adjustments, foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, as well as realised and unrealised gains and losses on securities and derivative instruments.

Under U.S. GAAP, accrued interest and indexation adjustments would be separately recorded in the balance sheet. Foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, realized and unrealised gains and losses on securities and realised and unrealised gains and losses on derivative instruments would be presented as separate lines in the statement of income and separated from interest income.

Income Taxes

Under Brazilian GAAP, the recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgement. In general, tax credits are recognised when there is evidence of future realisation in a continuous operation.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in ASC 740. Under the liability method, deferred tax assets or liabilities are recognised with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carry-forwards arising from tax losses are recognised as assets. A valuation allowance is recognised against a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised. Benefits related to uncertain tax positions are recognised only when it is “more likely than not” that the benefit will be realised and requires additional disclosures with respect to uncertain tax positions.

Earnings Per Share

Under Brazilian GAAP, disclosure of earnings per share is generally computed based on the number of shares outstanding at the end of the year while computing it based on average number of shares outstanding is also acceptable.

Under U.S. GAAP, in accordance with ASC 260, the presentation of earnings per share includes earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note to the financial statements. A dual presentation is required: basic and diluted.

Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each period presented, respectively.

Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the company's common shares. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument's effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. If undistributed earnings must be allocated to participating securities under the two class method, losses should also be allocated. However U.S. GAAP limits this allocation only to situations when the security has: (i) the right to participate in the earnings of the company; and (ii) an objectively determinable contractual obligation to share in net losses of the company.

Segment Information

Under Brazilian GAAP, there is no requirement for financial reporting of operating segments.

Under U.S. GAAP, publicly-held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision-maker. Segment information is given about any operating segment that broadly accounts for 10.0% or more of all segment revenue, results of operating activities or total assets. Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed includes segment profit or loss, certain specific revenue and expense items and segment assets, as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

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