

LUXEMBOURG LISTING PARTICULARS

U.S.\$500,000,000
Odebrecht Finance Ltd.

(incorporated with limited liability in the Cayman Islands)

5.250% Notes due 2029

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.\$500,000,000 aggregate principal amount of its 5.250% notes due 2029. The notes will mature on June 27, 2029. Interest on the notes will accrue from June 27, 2014 and will be payable on June 27 and December 27 of each year, commencing on December 27, 2014.

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 13.

Price: 100.000% plus accrued interest, if any, from June 27, 2014

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 June 27, 2014.

Joint Bookrunners and Joint Lead Managers

Citigroup

**Deutsche
Bank
Securities**

Itaú BBA

**J.P.
Morgan**

**Mitsubishi
UFJ
Securities**

Santander

The date of this offering memorandum is July 15, 2014

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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 Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Itau BBA USA Securities Inc., J.P. Morgan Securities LLC, Mitsubishi UFJ Securities (USA), Inc. and Santander Investment Securities 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 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 exhaustive and prescriptive 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 jurisdiction court after due 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 for a fixed sum;
- is authenticated by the Brazilian consulate in the location in which the foreign judgment is issued and is accompanied by a sworn translation into the Portuguese language; and
- does not violate Brazilian public policy, good morals, public morality or national sovereignty.

We have also been advised that:

- civil lawsuits may be brought before Brazilian courts in connection with this offering memorandum based solely on the federal securities laws of the United States in Brazilian courts and that, subject to applicable law, Brazilian courts may enforce such liabilities in such lawsuits 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) and provided further that, under Brazilian law, Brazilian courts

may assert jurisdiction whenever the defendant is domiciled in Brazil, the obligation has to be performed in Brazil or the subject matter under dispute originates in Brazil, considering that Brazilian courts may exercise jurisdiction over such matters or disputes pursuant to article 88 of the Brazilian Law no. 5,869/1973, or the Brazilian Code of Civil Procedure; and

- the ability of a judgment creditor or the other persons named above to satisfy a judgment by attaching certain assets of ours is limited by provisions of Brazilian bankruptcy, insolvency, liquidation, reorganization or similar laws, given that assets are located in Brazil.

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 provide 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. This bond of guaranty must have a value sufficient to satisfy the payment of court fees and defendant attorney's fees, as determined by a Brazilian judge.

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 March 31, 2014 of R\$2.2630 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
- the accounting standards issued by the Brazilian Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis - CPC*), or the CPC.

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

- unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), and the notes thereto, prepared in accordance with accounting standard CPC 21, Interim Financial Reporting of the Brazilian Accounting Pronouncements Committee, or CPC 21, which have been subject to a review by our independent auditors in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) as stated in their review report included elsewhere in this offering memorandum;
- audited consolidated financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012), and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, as stated in their report included elsewhere in this offering memorandum; and

- audited consolidated financial statements as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), and the notes thereto, as originally presented, prepared in accordance with Brazilian GAAP at the time that these financial statements were prepared (and have not been re-presented), which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, 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.

Special Note Regarding CPC 19(R2)

Our financial data as at and for the year ended December 31, 2011 is not comparable to our financial data as at and for the years ended December 31, 2013 and 2012 and subsequent periods because we adopted CPC 19(R2) on January 1, 2013, thereby changing our accounting policy for investments in joint arrangements. We have applied the new policy with respect to interests in joint ventures as of January 1, 2013, in accordance with the transitional provisions of CPC 19(R2) and, accordingly, restated our financial data as at and for the year ended December 31, 2012. Our financial data as at and for the year ended December 31, 2011 has not been restated to reflect such impacts described above because such impacts did not have a material effect in 2011. Investments in joint ventures have been recognized in the consolidated financial statements in a single line, and measured by the equity method, rather than proportional consolidation, from the immediately preceding period presented. For additional detail, please refer to note 2.2 to our audited condensed financial statements as at December 31, 2013 and for the year then ended.

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:

- unaudited interim financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), prepared in accordance with CPC 21, which have been subject to a review by its independent auditors in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively), as stated in their review report included elsewhere in this offering memorandum;
- audited financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012), prepared in accordance with Brazilian GAAP, which have been audited by its independent auditors in accordance with Brazilian and International Standards on Auditing, as stated in their report included elsewhere in this offering memorandum; and
- audited financial statements as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), prepared in accordance with Brazilian GAAP in accordance with Brazilian and International Standards on Auditing, which have been audited by its independent auditors, as stated in their report included elsewhere in this offering memorandum.

The review report included in the financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013) and the audit reports included in the financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012) and as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011) contain explanatory paragraphs regarding Odebrecht Finance's accumulated losses, 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
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
2013	1.953	2.446	2.161	2.343

Source: Central Bank

Month ended	Low	High	Average	Period-end
January 2014.....	2.334	2.440	2.382	2.426
February 2014.....	2.424	2.333	2.384	2.333
March 2014.....	2.260	2.349	2.326	2.263
April 2014.....	2.281	2.197	2.232	2.236
May 2014.....	2.210	2.241	2.221	2.239
June 2014 (through June 17).....	2.230	2.280	2.247	2.249

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 2013 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, Mexico 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\$7,119.4 million (U.S.\$3,146.0 million) in the three-month period ended March 31, 2014 and R\$31,852.0 million (U.S.\$14,075.1 million) in the year ended December 31, 2013. We reported EBITDA of R\$704.1 million (U.S.\$311.1 million) in the three-month period ended March 31, 2014 and R\$3,162.6 million (U.S.\$1,397.5 million) in the year ended December 31, 2013.

We believe we are:

- Brazil’s largest exporter of services with R\$21,466.4 million (U.S.\$9,485.8 million), or 67.4% of our gross service revenues in 2013, coming from outside Brazil;
- The largest contractor in Latin America, according to ENR, as measured by gross revenues in each region in 2013;
- The world’s 12th largest international contractor, according to ENR, as measured by “gross revenues outside the home country” in 2012
- The world’s 18th largest global contractor, according to ENR, as measured by our gross revenues in 2012 ;
- The world’s fourth largest international contractor in the water segment in 2013, according to ENR; and
- The ninth largest international contractor in the transportation segment in 2013, 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 2013, 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 2012 sales and net income, according to the magazine “*Revista Melhores e Maiores 2013*.” Holding 50.1% of its voting capital at March 31, 2014, 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 2013, and the fifth largest Brazilian-controlled private sector industrial company based on sales in 2012, according to the magazine “*Revista Melhores e Maiores 2013*.”

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 and sales revenues) for the three-month periods ended March 31, 2014 and 2013 were each 9.8%, and for the years ended December 31, 2013 and 2012 were 9.8% and 9.9%, respectively. The sum of our cash and cash equivalents and financial investments totaled R\$6,836.7 million (U.S.\$3,021.1 million) and R\$8,905.6 million (U.S.\$3,935.3 million) at March 31, 2014 and December 31, 2013, 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 March 31, 2014, we had 208 ongoing projects: Brazil (81); Angola (40); Venezuela (23); Peru (8); the Dominican Republic (9); Panama (12); Argentina (4); the United States (9); Portugal (1); Mozambique (2); Colombia (3); Mexico (2); Ecuador (8) and other (6).

The percentage of our gross service revenues derived from international projects has increased from approximately 30.0% in 1992 to 67.4% in the year ended December 31, 2013. 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 March 31, 2014, our backlog represented U.S.\$33.1 billion, or more than two years of future services based on our performance of 2013. We expect to complete approximately 35% to 45% of our total backlog by the end of 2014. 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 three-month period ended March 31, 2014 had a total contract amount of U.S.\$2,928 million, of which (1) U.S.\$372 million is for new contracts and amendments to existing contracts located in Brazil and (2) U.S.\$2,554 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 three-month period ended March 31, 2014.

In Brazil:

- Rio Manso System Expansion, State of Minas Gerais (new contract) (U.S.\$221.8 million);
- Rio Barra Metro Consortium, State of Rio de Janeiro (amendment) (U.S.\$120.4 million); and
- Porto Rio Express Way, State of Rio de Janeiro (new contract) (U.S.\$30.2 million).

In countries outside Brazil:

- Thermoelectric Project, Dominican Republic (new contract) (U.S.\$920.0 million);
- Laúca Hydroelectric Power Plant, Angola (amendment) (U.S.\$611.4 million);
- Cadca Ethanol Plant, Venezuela (amendment) (U.S.\$356.0 million);
- Sarmiento Earthmoving, Argentina (amendment) (U.S.\$231.0 million);
- Viana Industrial Park, Angola (amendment) (U.S.\$113.9 million); and
- Miguel Hidalgo Refinery, Mexico (new contract) (U.S.\$108.0 million).

Experienced and Professional Management Team

We believe 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 we believe motivates 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 (35 years), Angola (30 years), and Venezuela (20 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 March 31, 2014, our insurance coverage, which protects us against risks, such as engineering risk, operational risk and civil liability, totaled U.S.\$46,029 million, compared to U.S.\$44,741 million at December 31, 2013. At March 31, 2014, our surety bond coverage, which insures execution and performance of construction works, amounted to U.S.\$14,809 million compared to U.S.\$13,759 million at December 31, 2013.

- We seek to obtain approximately 10% to 15% down payments on the execution date of project contracts with customers located outside of Brazil. At March 31, 2014, we had R\$4,070.3 million (U.S.\$1,798.6 million) in short-term advances from customers and R\$8,269.7 million (U.S.\$3,654.3 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 and urban development and energy, 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 believe 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 Kenya and Tanzania, we may seek to further increase our operations in Africa. In 2013, we began operations in Ghana, with the development of its Eastern Corridor Highway.

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.

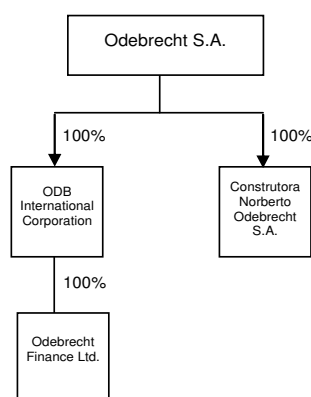
Enhancing Human Resources

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. The following is a structure chart of Odebrecht's ownership interest (excluding qualifying director shares) in the issuer and us at March 31, 2014. The percentages represent the percentage of the total share capital owned by each such shareholder.



Recent Developments

Anticipated Tender Offer for the 2020 Notes, 2022 Notes, 2023 Notes and 2025 Notes

Shortly after this offering, Odebrecht Finance intends to commence a cash tender offer, or the tender offer, for (1) any and all of Odebrecht Finance's (a) 7.00% senior notes due 2020, or the 2020 notes, of which U.S.\$82.9 million in aggregate principal amount is outstanding, (b) 5.125% notes due 2022, or the 2022 notes, of which U.S.\$600.0 million in aggregate principal amount is outstanding and (c) 6.00% notes due 2023, or the 2023 notes, of which U.S.\$120.5 million in aggregate principal amount is outstanding; and (2) a certain maximum amount of Odebrecht Finance's 4.375% notes due 2025, or the 2025 notes, of which U.S.\$518.6 million in aggregate principal amount is outstanding, in each case, subject to certain terms and conditions to be established in the tender offer, including the consummation of this offering.

In conjunction with the tender offer Odebrecht Finance intends to commence, Odebrecht Finance also intends to solicit certain consents from holders of each of the 2020 notes, the 2022 notes and the 2023 notes which Odebrecht Finance will further detail if it commences the tender offer and consent solicitation. We cannot assure you that the tender offer and consent solicitation will be undertaken or consummated.

This offering memorandum is neither an offer to purchase nor a solicitation of an offer to sell or buy the 2020 notes, 2022 notes, 2023 notes and 2025 notes. Any offer to purchase 2020 notes, 2022 notes, 2023 notes and 2025 notes will be made solely on the terms and subject to the conditions set forth in a separate offer to purchase and consent solicitation statement that will be directed to holders of the 2020 notes, 2022 notes, 2023 notes and 2025 notes.

Ratings Upgrade

On May 9, 2014, Standard & Poor's Rating Services raised its long-term global scale corporate credit rating for us to "BBB" from "BBB-" and at the same time affirmed our "brAAA/brA-1" national scale rating. The outlook is stable. A security rating is not a recommendation to buy, sell or hold a security (or beneficial interests therein), and the ratings above are subject to revision or withdrawal in the future by Standard & Poor's Rating Services.

2014 Notes

On April 9, 2014, we repaid the outstanding aggregate principal amount (U.S.\$41.8 million) of Odebrecht Finance Ltd.'s 9.625% notes due 2014, or the 2014 notes.

Increase in Our Capital Stock

On April 28, 2014, the aggregate amount of our issued and outstanding capital stock was increased by R\$1,832.6 million to R\$4,002.9 million, represented by 163,912,961 common shares and 119,248,213 preferred shares. For more information on our capital stock, see "Principal Shareholders—CNO."

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 Rua Lemos Monteiro, nº 120, 15th floor, Butantã, São Paulo – SP, CEP: 05501-050, 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.\$500,000,000 aggregate principal amount of 5.250% notes due June 27, 2029.
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 March 31, 2014, we had total consolidated indebtedness outstanding of R\$486.5 million, of which R\$292.9 million was secured, and R\$193.6 million was unsecured.
Issue price	100.000%, plus accrued interest, if any, from June 27, 2014.
Issue date	June 27, 2014.
Maturity	The notes will mature on June 27, 2029.
Interest	Interest on the notes will accrue at a rate of 5.250% per annum. The issuer will pay interest on the notes semi-annually in arrears on June 27 and December 27 of each year, commencing on December 27, 2014.
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 will be delivered on or about June 27, 2014.
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 certain amounts of the 2020 notes, 2022 notes, 2023 notes and/or 2025 notes tendered to it in connection with the anticipated tender offer. 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 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

- unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), and the notes thereto, prepared in accordance with CPC 21, which have been subject to a review by our independent auditors in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) as stated in their review report included elsewhere in this offering memorandum;
- audited consolidated financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012), and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, as stated in their report included elsewhere in this offering memorandum; and
- audited consolidated financial statements as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), and the notes thereto, as originally presented, prepared in accordance with Brazilian GAAP at the time that these financial statements were prepared (and have not been re-presented), which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, 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.

Our financial data as at and for the year ended December 31, 2011 is not comparable to our financial data as at and for the years ended December 31, 2013 and 2012 and subsequent periods because we adopted CPC 19(R2) on January 1, 2013, thereby changing our accounting policy for investments in joint arrangements. We have applied the new policy with respect to interests in joint ventures as of January 1, 2013, in accordance with the transitional provisions of CPC 19(R2) and, accordingly, restated our financial data as at and for the year ended December 31, 2012. Our financial data as at and for the year ended December 31, 2011 has not been restated to reflect such impacts described above because such impacts did not have a material effect in 2011. Investments in joint ventures have been recognized in the consolidated financial statements in a single line, and measured by the equity method, rather than proportional consolidation, from the immediately preceding period presented. For additional detail, please refer to note 2.2 to our audited condensed financial statements as at December 31, 2013 and for the year then ended.

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.

	For the three-month periods ended March 31,			For the years ended December 31,				
	2014 (1)	2014	2013	2013 (1)	2013	2012 (5)	2012 (6)	2011 (7)
	(in U.S.\$)	(in reais)		(in U.S.\$)		Restated (in reais)		
<i>(amounts expressed in millions, except financial ratios)</i>								
INCOME STATEMENT DATA								
Net service and sales revenues.....	3,174.7	7,184.5	5,770.6	14,266.8	32,285.7	28,376.3	28,713.1	21,522.7
Gross profit.....	507.1	1,147.8	849.8	2,211.7	5,005.1	4,368.0	4,437.2	3,617.3
Net income	302.9	685.6	941.6	748.8	1,694.6	922.4	934.2	918.9
OTHER DATA (unaudited)								
Gross margin (2).....	16.0%	16.0%	14.7%	15.5%	15.5%	15.4%	15.5%	16.8%
EBITDA (3).....	311.1	704.1	566.9	1,397.5	3,162.6	2,811.8	2,874.5	2,297.8
EBITDA margin (4)	9.8%	9.8%	9.8%	9.8%	9.8%	9.9%	10.0%	10.7%

	At March 31,		At December 31,			
	2014 (1)	2014	2013 (1)	2013	2012 (5)	2011 (7)
	(in U.S.\$)	(in reais)	(in U.S.\$)		Restated (in reais)	
<i>(amounts expressed in millions, except financial ratios)</i>						
BALANCE SHEET DATA						
Assets						
Cash and cash equivalents.....	3,020.7	6,835.8	3,934.9	8,904.7	6,649.3	6,708.5
Financial investments.....	0.4	0.9	0.4	0.9	120.4	122.6
Trade accounts receivable.....	4,387.3	9,928.3	3,962.9	8,968.2	6,682.1	4,723.4
Permanent assets (8).....	1,805.0	4,084.6	1,750.0	3,960.3	3,454.3	3,254.8
Total assets	13,180.9	29,828.4	13,371.5	30,259.8	24,133.7	20,328.5
Short-term Liabilities						
Debts.....	91.0	206.0	96.6	218.6	448.0	753.7
Suppliers and subcontractors	2,168.1	4,906.4	2,253.2	5,099.0	3,729.7	2,779.7
Advances from customers.....	1,798.6	4,070.3	1,721.2	3,895.1	3,642.4	3,115.6
Other accounts payable	576.6	1,304.8	584.1	1,321.8	233.5	357.5
Long-term Liabilities						
Debts.....	124.0	280.5	132.9	300.7	380.3	483.8
Suppliers and subcontractors	12.1	27.4	12.2	27.6	96.5	87.6
Advances from customers.....	3,654.3	8,269.7	3,900.5	8,826.9	6,456.2	5,128.8
Equity						
Capital	959.0	2,170.3	959.0	2,170.3	2,086.9	2,096.6
Revenue reserves.....	1,843.6	4,172.1	1,843.6	4,172.1	3,347.8	2,548.7
Carrying value adjustments.....	71.1	160.8	146.2	330.8	455.1	216.3
Total liabilities and stockholders' equity.....	13,180.9	29,828.4	13,371.5	30,259.8	24,133.7	20,328.5
OTHER DATA (unaudited)						
Net debt (9).....	(2,806.1)	(6,350.2)	(3,705.8)	(8,386.3)	(5,941.5)	(5,271.2)
Net debt/EBITDA ratio (10)	(1.92)	(1.92)	(2.65)	(2.65)	(2.11)	(2.29)
Net debt/EBITDA ratio including CNO guaranty of notes (11)	0.25	0.25	(0.37)	(0.37)	0.40	(0.84)

(1) Solely for the convenience of the reader, amounts in *reais* have been translated into U.S. dollars at the commercial selling rate at March 31, 2014 of R\$2.263 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 and sales revenues.

(3) EBITDA means net service and sales 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 three-month periods ended March 31,			For the years ended December 31,				
	2014(1)	2014	2013	2013(1)	2013	2012 (5)	2012 (6)	2011 (7)
	(in U.S.\$)	(in reais)		(in U.S.\$)		Restated		
			(amounts expressed in millions)					
						(in reais)		
Net service and sales revenues	3,174.7	7,184.5	5,770.6	14,266.8	32,285.7	28,376.3	28,713.1	21,522.7
Cost of services rendered.....	(2,667.6)	(6,036.7)	(4,920.8)	(12,055.1)	(27,280.6)	(24,008.3)	(24,275.9)	(17,905.4)
General and administrative expenses (12)	(261.3)	(591.3)	(370.4)	(1,020.6)	(2,309.6)	(1,976.7)	(1,987.7)	(1,683.4)
Depreciation/amortization	65.3	147.6	87.5	206.4	467.1	420.5	425.0	363.9
EBITDA.....	311.1	704.1	566.9	1,397.5	3,162.6	2,811.8	2,874.5	2,297.8

- (4) EBITDA margin is calculated by dividing EBITDA by our total net service and sales revenues, expressed as a percentage.
- (5) The financial information for December 31, 2012, presented for comparison purposes against 2013, was restated to reflect the impacts of CPC 19(R2).
- (6) As presented based on prior Brazilian GAAP in effect at the time these financial statements were prepared (and have not been re-presented).
- (7) The financial data as at and for the year ended December 31, 2011 is not comparable to the financial data as at and for the years ended December 31, 2013 and 2012 because it does not reflect CPC 19(R2) on investments in joint arrangements. The financial data as at and for the year ended December 31, 2011 has not been restated to reflect such impacts described above because such impacts did not have a material effect in 2011. For additional detail, please refer to Note 2.2 to our audited condensed financial statements as at December 31, 2013 and for the year then ended.
- (8) Permanent assets represent the sum of investments, property and equipment and intangible assets.
- (9) Net debt means total short and long-term debt less cash and cash equivalents, and less financial investments.
- (10) Net debt/EBITDA ratio at December 31, 2013, 2012 and 2011 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/EBITDA ratio at March 31, 2014 is calculated by dividing (1) our consolidated net debt at March 31, 2014 by (2) our consolidated EBITDA for the twelve month period ended March 31, 2014.
- (11) Net debt/EBITDA ratio including CNO's guaranty of notes at December 31, 2013, 2012 and 2011 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, 2011: (A) U.S.\$112.8 million of Odebrecht Finance's 7.50% notes due 2017, or the 2017 notes, (B) U.S.\$41.8 million of Odebrecht Finance's 9.625% notes due 2014, or the 2014 notes, (C) U.S.\$500.0 million of the 2020 notes, (D) U.S.\$750.0 million of Odebrecht Finance's 7.50% perpetual notes, or the perpetual notes, and (E) U.S.\$500.0 million of the 2023 notes;
- (ii) 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.\$850.0 million of Odebrecht Finance's 7.125% notes due 2042, or the 2042 notes; and
- (iii) at December 31, 2013: (A) U.S.\$41.8 million of the 2014 notes, (B) U.S.\$82.9 million of the 2020 notes, (C) U.S.\$750.0 million of the perpetual notes, (D) U.S.\$120.5 million of the 2023 notes, (E) U.S.\$600.0 million of the 2022 notes, (F) U.S.\$840.2 million of the 2042 notes, (G) R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014) of Odebrecht Finance's *real*-denominated 8.25% notes due 2018, payable in U.S. dollars, or the 2018 notes, and (H) U.S.\$538.2 million of the 2025 notes.
- Net debt/EBITDA ratio including CNO's guaranty of notes at March 31, 2014 is calculated by dividing (1) the sum of (x) our consolidated net debt at March 31, 2014 and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guaranteed at March 31, 2014: (A) U.S.\$41.8 million of the 2014 notes, (B) U.S.\$82.9 million of the 2020 notes, (C) U.S.\$750.0 million of the perpetual notes, (D) U.S.\$120.5 million of the 2023 notes, (E) U.S.\$600.0 million of the 2022 notes, (F) U.S.\$840.2 million of the 2042 notes, (G) R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014) of the 2018 notes and (H) U.S.\$518.6 million of the 2025 notes.
- (12) For the year ended December 31, 2011, general and administrative expenses include management's remuneration and management profit sharing. For the years ended December 31, 2013 and 2012 and for the three-month periods ended March 31, 2014 and 2013, 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;
- increasing protectionism that excludes foreign entities from procuring contracts in certain markets; and
- human rights issues related to large scale construction projects that may have impact on project delivery.

Many of the countries in which we operate have significant levels of political risk. For example, Venezuela has experienced intense political and social turmoil involving groups that oppose and those that support the government of President Nicolás Maduro. In 2014, there have been a series of protests, political demonstrations and civil unrest throughout Venezuela. While most of these demonstrations have been peaceful, there have been a number of fatalities and injuries during these public demonstrations. These protests erupted largely as a result of the

high levels of criminal violence, inflation, and chronic scarcity of basic goods. Venezuela's political instability has had serious effects on the performance of its economy, with a sharp drop in investments, a high level of inflation and a general recession. At March 31, 2014, we had 23 ongoing projects in Venezuela in the aggregate amount of U.S.\$8,086.2 million, representing 24.4% of our total backlog.

In addition, 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 March 31, 2014.

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 three-month periods ended March 31, 2014 and 2013. 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 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, 2012 and 2013, the *real* depreciated by 12.6%, 8.9% and 14.6%, 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 may be exposed to risks related to litigation and administrative proceedings that could materially and adversely affect our business and financial performance in the event of an unfavorable ruling.

Our business may expose us to litigation relating to labor, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, criminal prosecution, among other matters. In the context of these proceedings we may not only be required to pay fines or money damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. While we may contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process.

We may be affected by labor disputes and any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business and financial performance.

A significant percentage of our non-management employees are members of unions. We believe that we have good relations with our employees and the unions to which our employees belong, however work slowdowns, stoppages, strikes or other labor-related developments affecting us could have an adverse effect on our business, implementation of potential headcount reductions, results of operation, financial condition and ability to repay the notes.

There are risks that our insurance policies may not cover.

Our insurance policies contain limits, deductibles and co-insurance clauses, and do not cover certain risks (such as country risk, war, acts of God and force majeure or interruption of certain activities). Upon the occurrence of any such event that is not covered by our insurance, we may be adversely affected. In addition, we cannot ensure that, even in case of losses covered by our policies, the insurance reimbursement will be enough to cover all damages incurred from such loss, including labor accidents, death or disability or loss of profits from losses. In case our insurance policies do not cover certain losses or do not sufficiently reimburse to fully cover any damages suffered or lost profits, our business financial condition and results of operations may be materially and adversely affected.

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 2013) 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. 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.

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. Any 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 a weak economic environment. 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 has given a long-term rating for our company of "BBB" with stable outlook. 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". 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:

- political instability;
- interest rates;
- price instability;
- energy shortages;
- exchange controls;
- changes to the regulatory framework governing our industry;
- monetary policies;
- devaluations and other currency fluctuations;
- inflation;
- liquidity of domestic capital and financial markets;
- tax policies; and
- other political, diplomatic, social and economic developments in or affecting Brazil.

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. Brazilian presidential elections are scheduled to take place in October 2014, and the president of Brazil has considerable power to determine governmental policies and actions that relate to the Brazilian economy and, consequently, affect the operations and financial performance of businesses such as ours. Although we do not believe that the principal presidential candidates intend to significantly alter current governmental policies relating to our business, we can

offer no assurances that the policies that may be implemented by the Brazilian federal or state governments will not adversely affect our business, results of operations and financial condition.

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 5.1% in 2011, 7.8% in 2012 and 5.5% in 2013. 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 6.5% in 2011, 5.8% in 2012 and 5.9% in 2013.

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 services and sales 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 and sales 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. In 2013, the *real* continued to depreciate against the U.S. dollar, from R\$2.044 per U.S. dollar on December 31, 2012 to R\$2.343 per U.S. dollar on December 31, 2013.

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 note-holders 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 March 31, 2014, we had total consolidated indebtedness outstanding of R\$486.5 million, of which R\$292.9 million was secured, and R\$193.6 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 admit to trading the notes 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 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.\$498.3 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 certain amounts of the 2020 notes, 2022 notes, 2023 notes and/or 2025 notes tendered to it in connection with the anticipated tender offer.

CAPITALIZATION

Odebrecht Finance Ltd.

At March 31, 2014, the issuer had an aggregate outstanding principal amount of U.S.\$3,174.9 million notes, being (1) U.S.\$41.8 million of the 2014 notes (which were repaid on April 9, 2014), (2) U.S.\$82.9 million of the 2020 notes, (3) U.S.\$750.0 million of the perpetual notes, (4) U.S.\$120.5 million of the 2023 notes, (5) U.S.\$600.0 million of the 2022 notes, (6) U.S.\$840.2 million of the 2042 notes, (7) R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014) of the 2018 notes and (8) U.S.\$518.6 million of the 2025 notes.

The notes in this offering (as well as the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes, the 2042 notes, the 2018 notes and the 2025 notes) are guaranteed by us.

After giving pro forma effect to the offering of the notes and the use of proceeds therefrom as if they had occurred on March 31, 2014, 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 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes, the 2042 notes, the 2018 notes and the 2025 notes (as such outstanding principal amount may be reduced to reflect the repayment of any 2020 notes, 2022 notes, 2023 notes and 2025 notes that may be tendered to it in the anticipated tender offer).

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. 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 March 31, 2014 on an actual basis, extracted without material adjustment from our unaudited condensed interim consolidated financial statements as at March 31, 2014, prepared in accordance with Brazilian GAAP:

	At March 31, 2014	
	Actual	
	(in millions of reais)	(in millions of U.S.\$) (1)
Short-term debt (2).....	R\$206.0	U.S.\$91.0
Long-term debt (3).....	280.5	124.0
Taxes payable in installments (REFIS) (4) (5).....	46.7	20.6
Equity.....	7,169.1	3,168.0
Total capitalization (6).....	<u>R\$7,702.3</u>	<u>U.S.\$3,403.6</u>

(1) Solely for the convenience of the reader, amounts in *reais* have been translated into U.S. dollars at the commercial selling rate at March 31, 2014 of R\$2.263 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 March 31, 2014, the outstanding balance under this program was R\$46.7 million.

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

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

Except as set forth above, the repayment of the outstanding aggregate principal amount (U.S.\$41.8 million) of the 2014 notes on April 9, 2014, and the increase in our issued and outstanding capital stock by R\$1,832.6 million

to R\$4,002.9 million on April 28, 2014, there has been no material change in our capitalization since March 31, 2014.

SELECTED FINANCIAL AND OTHER INFORMATION OF CNO

The following selected financial data have been extracted without material adjustment from our

- unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), and the notes thereto, prepared in accordance with CPC 21, which have been subject to a review by our independent auditors in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) as stated in their review report included elsewhere in this offering memorandum;
- audited consolidated financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012), and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, as stated in their report included elsewhere in this offering memorandum; and
- audited consolidated financial statements as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), and the notes thereto, as originally presented, prepared in accordance with Brazilian GAAP at the time that these financial statements were prepared (and have not been re-presented), which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, 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.

Our financial data as at and for the year ended December 31, 2011 is not comparable to our financial data as at and for the years ended December 31, 2013 and 2012 and subsequent periods because we adopted CPC 19(R2) on January 1, 2013, thereby changing our accounting policy for investments in joint arrangements. We have applied the new policy with respect to interests in joint ventures as of January 1, 2013, in accordance with the transitional provisions of CPC 19(R2) and, accordingly, restated our financial data as at and for the year ended December 31, 2012. Our financial data as at and for the year ended December 31, 2011 has not been restated to reflect such impacts described above because such impacts did not have a material effect in 2011. Investments in joint ventures have been recognized in the consolidated financial statements in a single line, and measured by the equity method, rather than proportional consolidation, from the immediately preceding period presented. For additional detail, please refer to note 2.2 to our audited condensed financial statements as at December 31, 2013 and for the year then ended.

	For the three-month periods ended March 31,			For the years ended December 31,				
	2014 (1)	2014	2013	2013 (1)	2013	2012 (5)	2012 (6)	2011 (7)
	(in U.S.\$)	(in reais)		(in U.S.\$)		Restated (in reais)		
	<i>(amounts expressed in millions, except financial ratios)</i>							
STATEMENT OF INCOME								
Gross service and sales revenues								
Domestic market	947.5	2,144.3	2,479.5	5,061.8	11,454.8	10,998.4	11,081.7	9,916.9
Foreign market	2,294.5	5,192.4	3,419.8	9,489.0	21,473.7	17,894.3	18,147.8	12,282.7
	<u>3,242.0</u>	<u>7,336.7</u>	<u>5,899.3</u>	<u>14,550.8</u>	<u>32,928.5</u>	<u>28,892.7</u>	<u>29,229.5</u>	<u>22,199.6</u>
Taxes and contributions on services	(67.3)	(152.2)	(128.7)	(284.0)	(642.8)	(516.4)	(516.4)	(676.9)
Net service and sales revenues	<u>3,174.7</u>	<u>7,184.5</u>	<u>5,770.6</u>	<u>14,266.8</u>	<u>32,285.7</u>	<u>28,376.3</u>	<u>28,713.1</u>	<u>21,522.7</u>
Cost of services rendered	(2,667.6)	(6,036.7)	(4,920.8)	(12,055.1)	(27,280.6)	(24,008.3)	(24,275.9)	(17,905.4)
Gross profit	507.1	1,147.8	849.8	2,211.7	5,005.1	4,368.0	4,437.2	3,617.3
Operating expenses	(261.3)	(591.3)	(370.4)	(1,020.6)	(2,309.6)	(1,976.7)	(1,987.7)	(1,683.4)
General and administrative expenses	(259.6)	(587.4)	(364.9)	(997.4)	(2,257.2)	(1,901.4)	(1,912.4)	(1,653.9)
Management's remuneration	(1.7)	(3.9)	(5.5)	(23.2)	(52.4)	(75.3)	(75.3)	(29.5)
Operating profit before equity interests and financial results, net	245.8	556.5	479.4	1,191.1	2,695.5	2,391.3	2,449.5	1,933.9
Results from investments in associated companies								
Equity in the results of investees	88.7	200.7	83.3	241.1	545.5	66.3	(4.3)	(39.7)
Financial result								
Financial result, net	64.3	145.5	438.1	(384.7)	(870.5)	(687.2)	(651.2)	(503.7)
Operating profit before other income, net	398.9	902.7	1,000.7	1,047.5	2,370.3	1,770.5	1,794.0	1,390.5
Other income (expenses), net	17.4	39.4	12.6	11.4	25.9	(45.6)	(45.6)	(31.0)
Income before social contribution and income tax	416.2	942.1	1,013.4	1,058.9	2,396.3	1,724.8	1,748.4	1,359.5
Social contribution	(9.0)	(20.4)	(1.4)	15.0	34.0	(40.2)	(43.1)	(3.1)
Income tax	(104.3)	(236.1)	(70.4)	(325.1)	(735.7)	(762.2)	(771.1)	(437.5)
Net income	<u>302.9</u>	<u>685.6</u>	<u>941.6</u>	<u>748.8</u>	<u>1,694.6</u>	<u>922.4</u>	<u>934.2</u>	<u>918.9</u>
Net income attributable to:								
Company's stockholders	293.8	664.8	928.9	720.7	1,631.0	885.3	885.3	905.6
Non-controlling interest	9.1	20.8	12.7	28.1	63.6	37.1	48.9	13.3
	<u>302.9</u>	<u>685.6</u>	<u>941.6</u>	<u>748.8</u>	<u>1,694.6</u>	<u>922.4</u>	<u>934.2</u>	<u>918.9</u>
OTHER DATA (unaudited)								
Gross margin (2)	16.0%	16.0%	14.7%	15.5%	15.5%	15.4%	15.5%	16.8%
EBITDA (3)	311.1	704.1	566.9	1,397.5	3,162.6	2,811.8	2,874.5	2,297.8
EBITDA margin (4)	9.8%	9.8%	9.8%	9.8%	9.8%	9.9%	10.0%	10.7%

	As of March 31,		At December 31,			
	2014 (1)	2014	2013 (1)	2013	2012 (5)	2011 (7)
	<i>(in U.S.\$)</i>	<i>(in reais)</i>	<i>(in U.S.\$)</i>		Restated <i>(in reais)</i>	
			<i>(amounts expressed in millions)</i>			
BALANCE SHEET DATA						
Assets						
Current Assets						
Cash and cash equivalents	3,020.7	6,835.8	3,934.9	8,904.7	6,649.3	6,708.5
Financial investments	0.4	0.9	0.4	0.9	34.9	41.8
Trade accounts receivable.....	4,046.4	9,156.9	3,576.2	8,093.0	5,985.2	4,179.3
Advances to suppliers, subcontractors and others	817.9	1,851.0	759.3	1,718.3	1,441.1	998.8
Taxes recoverable	293.7	664.6	377.2	853.5	703.9	440.1
Inventories.....	552.4	1,250.0	597.5	1,352.2	1,192.7	655.0
Current accounts with consortium members.....	308.6	698.3	320.2	724.5	1,152.8	505.1
Prepaid expenses.....	280.0	633.6	286.7	648.7	515.7	262.3
Other accounts receivable.....	308.8	699.1	348.5	788.7	572.7	670.1
Total current assets	9,628.9	21,790.2	10,200.8	23,084.5	18,248.3	14,461.0
Non-current assets						
Long-term receivables						
Financial investments	–	–	–	–	85.5	80.8
Odebrecht Organization companies (8).....	1,042.3	2,358.7	661.4	1,496.8	871.5	1,144.5
Trade accounts receivable	340.9	771.4	386.7	875.2	696.9	544.1
Deferred income tax and social contribution.....	180.7	408.9	186.2	421.3	156.7	272.8
Taxes recoverable	8.7	19.8	9.1	20.5	24.4	10.5
Eletrobrás credits (9)	–	–	–	–	–	267.3
Other accounts receivable.....	174.4	394.8	177.3	401.2	596.1	292.7
	1,747.0	3,953.6	1,420.7	3,215.0	2,431.1	2,612.7
Investments						
Associated companies	748.6	1,694.1	692.7	1,567.6	1,558.6	1,355.6
Others.....	16.2	36.6	20.7	46.8	23.0	51.8
Property and equipment.....	1,016.5	2,300.3	1,010.4	2,286.5	1,820.4	1,774.4
Intangible assets.....	23.7	53.6	26.2	59.4	52.3	73.0
Total non-current assets	3,552.0	8,038.2	3,170.7	7,175.3	5,885.4	5,867.5
Total assets	13,180.9	29,828.4	13,371.5	30,259.8	24,133.7	20,328.5

	As of March 31,		At December 31,			
	2014 (1)	2014	2013(1)	2013	2012 (5)	2011 (7)
	(in U.S.\$)	(in reais)	(in U.S.\$)		Restated (in reais)	
						(amounts expressed in millions, except financial ratios)
Liabilities and stockholders' equity						
Current Liabilities						
Debts	91.0	206.0	96.6	218.6	448.0	753.7
Suppliers and subcontractors	2,168.1	4,906.4	2,253.2	5,099.0	3,729.7	2,779.7
Taxes, rates, salaries and payroll charges.....	1,013.1	2,292.6	1,178.4	2,666.7	1,998.7	1,668.8
Management profit sharing.....	—	—	12.3	27.9	12.5	14.9
Provisions for tax, labor and civil contingencies	46.0	104.1	37.1	84.0	77.6	98.9
Advances from customers	1,798.6	4,070.3	1,721.2	3,895.1	3,642.4	3,115.6
Current accounts with consortium members.....	175.2	396.5	167.2	378.3	316.6	181.1
Other accounts payable.....	576.6	1,304.8	584.1	1,321.8	233.5	357.5
Total current liabilities	5,868.6	13,280.7	6,050.1	13,691.4	10,459.0	8,970.2
Non current liabilities						
Long-term liabilities						
Odebrecht Organization companies (8).....	66.2	149.8	68.1	154.2	299.9	174.1
Debts	124.0	280.5	132.9	300.7	380.3	483.8
Advances from customers	3,654.3	8,269.7	3,900.5	8,826.9	6,456.2	5,128.8
Deferred income tax and social contribution	13.6	30.8	33.1	75.0	285.8	350.5
Suppliers and subcontractors	12.1	27.4	12.2	27.6	96.5	87.6
Provisions for tax, labor and civil contingencies.....	2.8	6.4	6.4	14.4	15.6	8.7
Taxes payable in installments (REFIS).....	15.4	34.8	16.4	37.1	45.8	53.4
Long-term incentives.....	—	—	—	—	—	4.3
Other accounts payable.....	255.7	578.7	189.6	429.1	194.2	186.7
Total non current liabilities.....	4,144.1	9,378.1	4,359.3	9,865.0	7,774.3	6,477.9
Non-controlling interest.....	0.2	0.5	13.3	30.2	10.6	18.8
Equity						
Capital.....	959.0	2,170.3	959.0	2,170.3	2,086.9	2,096.6
Revenue reserves	1,843.6	4,172.1	1,843.6	4,172.1	3,347.8	2,548.7
Carrying value adjustments	71.1	160.8	146.2	330.8	455.1	216.3
Retained earnings.....	294.3	665.9	—	—	—	—
	3,168.0	7,169.1	2,948.8	6,673.2	5,889.8	4,861.6
Total liabilities and stockholders' equity.....	13,180.9	29,828.4	13,371.5	30,259.8	24,133.7	20,328.5
OTHER DATA (unaudited)						
Net debt (9).....	(2,806.1)	(6,350.2)	(3,705.8)	(8,386.3)	(5,941.5)	(5,271.2)
Net debt/EBITDA ratio (10).....	(1.92)	(1.92)	(2.65)	(2.65)	(2.11)	(2.29)
Net debt/EBITDA ratio including CNO guaranty of notes (11).....	0.25	0.25	(0.37)	(0.37)	0.40	(0.84)

(1) Solely for the convenience of the reader, amounts in *reais* have been translated into U.S. dollars at the commercial selling rate at March 31, 2014 of R\$2.263 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 and sales revenues.

- (3) EBITDA means net service and sales 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 three-month periods ended March 31,			For the years ended December 31,				
	2014(1)	2014	2013	2013(1)	2013	2012 (5) Restated	2012 (6)	2011 (7)
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)		
	(amounts expressed in millions)							
Net service and sales revenues	3,174.7	7,184.5	5,770.6	14,266.8	32,285.7	28,376.3	28,713.1	21,522.7
Cost of services rendered.....	(2,667.6)	(6,036.7)	(4,920.8)	(12,055.1)	(27,280.6)	(24,008.3)	(24,275.9)	(17,905.4)
General and administrative expenses (12)	(261.3)	(591.3)	(370.4)	(1,020.6)	(2,309.6)	(1,976.7)	(1,987.7)	(1,683.4)
Depreciation/amortization	65.3	147.6	87.5	206.4	467.1	420.5	425.0	363.9
EBITDA	311.1	704.1	566.9	1,397.5	3,162.6	2,811.8	2,874.5	2,297.8

- (4) EBITDA margin is calculated by dividing EBITDA by our total net service and sales revenues, expressed as a percentage.
- (5) The financial information for December 31, 2012, presented for comparison purposes against 2013, was restated to reflect the impacts of CPC 19(R2).
- (6) As presented based on prior Brazilian GAAP in effect at the time these financial statements were prepared (and have not been re-presented).
- (7) The financial data as at and for the year ended December 31, 2011 is not comparable to the financial data as at and for the years ended December 31, 2013 and 2012 because it does not reflect CPC 19(R2) on investments in joint arrangements. The financial data as at and for the year ended December 31, 2011 has not been restated to reflect such impacts described above because such impacts did not have a material effect in 2011. For additional detail, please refer to Note 2.2 to our audited condensed financial statements as at December 31, 2013 and for the year then ended.
- (8) Permanent assets represent the sum of investments, property and equipment and intangible assets.
- (9) Net debt means total short and long-term debt less cash and cash equivalents, and less financial investments.
- (10) Net debt/EBITDA ratio at December 31, 2013, 2012 and 2011 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/EBITDA ratio at March 31, 2014 is calculated by dividing (1) our consolidated net debt at March 31, 2014 by (2) our consolidated EBITDA for the twelve month period ended March 31, 2014.
- (11) Net debt/EBITDA ratio including CNO's guaranty of notes at December 31, 2013, 2012 and 2011 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, 2011: (A) U.S.\$112.8 million of Odebrecht Finance's 7.50% notes due 2017, or the 2017 notes, (B) U.S.\$41.8 million of Odebrecht Finance's 9.625% notes due 2014, or the 2014 notes, (C) U.S.\$500.0 million of the 2020 notes, (D) U.S.\$750.0 million of Odebrecht Finance's 7.50% perpetual notes, or the perpetual notes, and (E) U.S.\$500.0 million of the 2023 notes;

(ii) 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.\$850.0 million of Odebrecht Finance's 7.125% notes due 2042, or the 2042 notes; and

(iii) at December 31, 2013: (A) U.S.\$41.8 million of the 2014 notes, (B) U.S.\$82.9 million of the 2020 notes, (C) U.S.\$750.0 million of the perpetual notes, (D) U.S.\$120.5 million of the 2023 notes, (E) U.S.\$600.0 million of the 2022 notes, (F) U.S.\$840.2 million of the 2042 notes, (G) R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014) of Odebrecht Finance's *real*-denominated 8.25% notes due 2018, payable in U.S. dollars, or the 2018 notes, and (H) U.S.\$538.2 million of Odebrecht Finance's 4.375% notes due 2025, or the 2025 notes.

Net debt/EBITDA ratio including CNO's guaranty of notes at March 31, 2014 is calculated by dividing (1) the sum of (x) our consolidated net debt at March 31, 2014 and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guaranteed at March 31, 2014: (A) U.S.\$41.8 million of the 2014 notes, (B) U.S.\$82.9 million of the 2020 notes, (C) U.S.\$750.0 million of the perpetual notes, (D) U.S.\$120.5 million of the 2023 notes, (E) U.S.\$600.0 million of the 2022 notes, (F) U.S.\$840.2 million of the 2042 notes, (G) R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014) of the 2018 notes and (H) U.S.\$518.6 million of the 2025 notes.

- (12) For the year ended December 31, 2011, general and administrative expenses include management's remuneration and management profit sharing. For the years ended December 31, 2013 and 2012 and for the three-month periods ended March 31, 2014 and 2013, 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 (1) audited consolidated financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012) and as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), prepared in accordance with Brazilian GAAP and (2) unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), prepared in accordance with CPC 21, 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 three-month periods ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011;
- a discussion of our liquidity and capital resources, including our working capital at March 31, 2014 and March 31, 2013, our cash flows for the three month periods ended March 31, 2014 and March 31, 2013, and our material short-term and long-term indebtedness at March 31, 2014, March 31, 2013, December 31, 2013 and December 31, 2012;
- a discussion of our capital expenditures and our contractual commitments; and
- a qualitative and quantitative discussion of market risks that we face.

Overview

We are the largest engineering and construction company in Latin America as measured by 2013 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, Mexico 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\$7,119.4 million (U.S.\$3,146.0 million) in the three-month period ended March 31, 2014 and R\$31,852.0 million (U.S.\$14,075.1 million) in the

year ended December 31, 2013. We reported EBITDA of R\$704.1 million (U.S.\$311.1 million) in the three-month period ended March 31, 2014 and R\$3,162.6 million (U.S.\$1,397.5 million) in the year ended December 31, 2013.

We believe we are:

- Brazil's largest exporter of services with R\$21,466.4 million (U.S.\$9,485.8 million), or 67.4% of our gross service revenues in 2013, coming from outside Brazil;
- The largest contractor in Latin America, according to ENR, as measured by gross revenues in each region in 2013;
- The world's 12th largest international contractor, according to ENR, as measured by "gross revenues outside the home country" in 2012
- The world's 18th largest global contractor, according to ENR, as measured by our gross revenues in 2012 ;
- The world's fourth largest international contractor in the water segment in 2013, according to ENR; and
- The ninth largest international contractor in the transportation segment in 2013, according to ENR.

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:

- unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), and the notes thereto, prepared in accordance with accounting standard CPC 21, Interim Financial Reporting of the Brazilian Accounting Pronouncements Committee, or CPC 21, which have been subject to a review by our independent auditors in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively) as stated in their review report included elsewhere in this offering memorandum;
- audited consolidated financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012), and the notes thereto, prepared in accordance with Brazilian GAAP, which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, as stated in their report included elsewhere in this offering memorandum; and
- audited consolidated financial statements as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), and the notes thereto, as originally presented, prepared in accordance with Brazilian GAAP at the time that these financial statements were prepared (and have not been re-presented), which have been audited by our independent auditors in accordance with Brazilian and International Standards on Auditing, 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.

Comparability of Our Financial Statements Among Prior Periods

We adopted CPC 19(R2) on investments in joint arrangements on January 1, 2013, thereby changing our accounting policy for investments in joint arrangements. In accordance with CPC 19(R2), investments in joint arrangements are classified as joint operations or as joint ventures, depending on the contractual rights and obligations of each investor, and not according to the legal structure of the joint arrangement. We assessed the nature of our joint arrangements and concluded that they are joint ventures.

We have applied the new policy of CPC 19(R2) with respect to interests in joint ventures as of January 1, 2013, in accordance with the transitional provisions of CPC 19(R2). Investments in joint ventures have been recognized in our consolidated financial statements in a single line, and measured by the equity method, rather than proportional consolidation, from the immediately preceding period presented.

By the equity method, investments in joint ventures are initially recognized at cost and adjusted thereafter to recognize our proportional share of profit or loss and post-acquisition movements in other comprehensive income. When our share of losses in a joint venture equals or exceeds our interest, we do not recognize further losses, unless we have incurred additional obligations or made payments on behalf of the joint ventures.

As a consequence of this accounting policy change, our consolidated financial statements for the year ended December 31, 2013 and subsequent periods no longer account for jointly-controlled entities using the method of proportional consolidation.

Our consolidated financial statements as at and for the year ended December 31, 2012, presented for comparative purposes with our financial statements as at and for the year ended December 31, 2013, were adjusted and restated excluding the proportional consolidation of the companies mentioned above. This change did not affect earnings or loss per share. For a demonstration of the effects of this restatement, see note 2.2 to our consolidated financial statements as at and for the year ended December 31, 2013.

As a result of the change in accounting policy described above, our consolidated financial statements as at and for the year ended December 31, 2011 are not fully comparable with our consolidated financial statements as at and for the years ended December 31, 2013 and 2012 and subsequent periods. Our consolidated financial statements as at and for the year ended December 31, 2011 has not been restated to reflect the impacts of CPC 19(R2) because such impacts did not have a material effect in 2011.

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 the 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.

Valuation of Derivatives

We and our subsidiaries enter into derivative transactions for the purpose of hedging against the effects of the exposure in foreign currencies and interest rate and commodity price fluctuations. Our derivative financial instruments are presented in our balance sheet at their fair values. We determine the fair value of our derivative financial instruments (1) from public sources when they are traded on exchanges, (2) through discounted cash flow models when they are forward purchases or sales or swap contracts and (3) through valuation models of options contracts, such as the Black-Scholes model, when they have the characteristics of an option. At March 31, 2014 and December 31, 2013, we and our subsidiaries did not have derivatives that required non-observable assumptions to calculate their fair value.

Contingencies

We are currently involved in certain legal and administrative proceedings that arise in our ordinary course of business, as described in note 19 to our unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013). 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 and sales revenues in Brazil represented 27.7% and 33.5% of our total net service and sales revenues in the three-month period ended March 31, 2014 and the year ended December 31, 2013, 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 2011, 2012 and 2013 GDP in Brazil increased by 2.7%, 0.9%, and 2.3%, respectively. Brazilian GDP growth has fluctuated significantly. Our management believes a reduction in government spending in infrastructure or a recession could negatively affect our future net service and sales revenues and results of operations.

Growth of Infrastructure Spending and Available Financing in Other Emerging Markets

Our net service and sales revenues outside Brazil represented 72.3% and 66.5% of our total net service and sales revenues in the three-month period ended March 31, 2014 and the year ended December 31, 2013, 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 72.3% and 66.5% of our total net service and sales revenues in the three-month period ended March 31, 2014 and the year ended December 31, 2013, 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 March 31, 2014, R\$315.0 million, or 64.7%, 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 March 31, 2014, our total outstanding consolidated indebtedness was U.S.\$215.0 million (U.S.\$3,390.7 million if we include Odebrecht Finance's (1) U.S.\$41.8 million of the 2014 notes, (2) U.S.\$82.9 million of the 2020 notes, (3) U.S.\$750.0 million of the perpetual notes, (4) U.S.\$120.5 million of the 2023 notes, (5) U.S.\$600.0 million of the 2022 notes, (6) U.S.\$840.2 million of the 2042 notes), (7) R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014) of the 2018 notes and (8) U.S.\$518.6 million of the 2025 notes. Net financial results consist of interest expense or interest income, foreign exchange losses or gains and other items as set forth in note 16 and 17 to our condensed interim consolidated financial statements at March 31, 2014 and December 31, 2013, respectively, and for the three-month periods ended March 31, 2014 and 2013. Our net financial results do not include the debt securities issued by Odebrecht Finance. In the three-month period ended March 31, 2014, we recorded a net financial gain of R\$145.5 million, of which R\$86.7 million consisted of financial investments income, R\$615.2 million consisted of exchange variation expense, R\$719.4 million consisted of exchange variation income, R\$9.7 million consisted of interest expense, R\$24.0 million consisted of bank commissions and R\$11.7 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

Three-month period ended March 31, 2014 compared to the three-month period ended March 31, 2013

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

	For the three-month period ended March 31,	
	2014	2013
Net service and sales revenues.....	100.0%	100.0%
Cost of services rendered.....	(84.0)%	(85.3)%
Gross margin.....	16.0%	14.7%
General and administrative expense (including management's remuneration).....	(8.2)%	(6.4)%
Financial result, net.....	2.0%	7.6%
Income before social contribution and income tax.....	13.1%	17.6%
Net income.....	9.5%	16.3%

Net Service and Sales Revenues

	For the three-month period ended March 31,	
	2014	2013
	<i>(amounts expressed in millions of reais)</i>	
Net service and sales revenues		
Domestic market.....	1,992.9	2,352.4
Foreign market.....	5,191.6	3,418.2
Total.....	7,184.5	5,770.6

Our net service and sales revenues increased by 24.5% to R\$7,184.5 million during the three-month period ended March 31, 2014, compared to R\$5,770.6 million during the corresponding period in 2013.

In Brazil, our net service and sales revenues decreased by 15.3% to R\$1,992.9 million during the three-month period ended March 31, 2014, compared to R\$2,352.4 million during the corresponding period in 2013. This decrease was primarily due to less project activity in Brazil.

Outside Brazil, our net service and sales revenues measured in *reais* increased by 51.9% to R\$5,191.6 million during the three-month period ended March 31, 2014, compared to R\$3,418.2 million during the corresponding period in 2013. This increase was primarily due to an increase in the number of projects we delivered in Latin America, such as in the Dominican Republic (Boulevard Turístico de Este Road) and Peru (Carhuaz Road). 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 22.7% to R\$6,036.7 million during the three-month period ended March 31, 2014, compared to R\$4,920.8 million during the corresponding period in 2013. This increase was lower than the level of increase in our net services and sales revenues over the corresponding period. Our cost of services rendered consists of costs incurred in all of our projects. As a result, cost of services rendered were 84.0% of net service and sales revenues during the three-month period ended March 31, 2014 compared to 85.3% during the corresponding period in 2013.

Gross Margin

Our gross margin (gross profit divided by net service and sales revenues) increased to 16.0% during the three-month period ended March 31, 2014, compared to 14.7% during the corresponding period in 2013.

General and Administrative Expenses

Our general and administrative expenses (including management's remuneration) increased by 59.6% to R\$591.3 million during the three-month period ended March 31, 2014, compared to R\$370.4 million during the corresponding period in 2013. This increase was greater than the level of increase in our revenues over the corresponding period.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 68.7% to R\$147.6 million during the three-month period ended March 31, 2014 compared to R\$87.5 million during the corresponding period in 2013, due mainly to the effects of exchange rate variations relating to certain contracts outside of Brazil and reflecting the increase in capital expenditures during the three-month period ended March 31, 2014 compared to the corresponding period in 2013.

Results from Investments in Associated Companies

Our results from investments in associated companies increased from a gain of R\$83.3 million during the three-month period ended March 31, 2013 to a gain of R\$200.7 million during the corresponding period in 2014. This increase 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 decreased from a gain of R\$438.1 million during the three-month period ended March 31, 2013 to a gain of R\$145.5 million during the corresponding period in 2014, primarily due to foreign exchange variations, mainly the devaluation of the Venezuelan Bolívar against the U.S. dollar.

Other Income, Net

Other income, net increased from income of R\$12.6 million during the three-month period ended March 31, 2013 to income of R\$39.4 million during the corresponding period in 2014. These results were primarily due to income from the sale of property and equipment.

Income Before Social Contribution and Income Tax

Income before income tax and social contribution decreased by 7.0% to R\$942.1 million during the three-month period ended March 31, 2014, compared to R\$1,013.3 million during the corresponding period in 2013, primarily due to the impact of a smaller increase in our net financial results, as discussed above.

Social Contribution and Income Tax

Our social contribution and income tax increased by 257.7% to R\$256.5 million during the three-month period ended March 31, 2014, compared to R\$71.8 million during the corresponding period in 2013, due to the increase in our revenues and gross profit over the period and increase in deferred taxes due to foreign exchange variations.

Net Income

As a result of the foregoing, we recorded net income of R\$685.6 million during the three-month period ended March 31, 2014, compared to R\$941.6 million during the corresponding period in 2013, representing an decrease of 27.2%.

Year ended December 31, 2013 compared to the year ended December 31, 2012

The discussion below is based on our financial statements prepared in accordance with the new Brazilian accounting standards, including the re-presentation of our statement of operations for the year ended December 31, 2012 to be consistent with the accounting standards that we used to prepare our statement of operations for the year ended December 31, 2013.

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

	For the years ended December 31,	
	2013	2012 (Restated)
Net service and sales revenues.....	100.0%	100.0%
Cost of services rendered.....	(84.5)%	(84.6)%
Gross margin.....	15.5%	15.4%
General and administrative expense (including management's remuneration).....	(7.2)%	(7.0)%
Financial result, net.....	(2.7)%	(2.4)%
Income before social contribution and income tax.....	7.4%	6.1%
Net income.....	5.2%	3.3%

Net Service and Sales Revenues

	For the years ended December 31,	
	2013	2012 (Restated)
	<i>(amounts expressed in millions of reais)</i>	
Net service and sales revenues		
Domestic market.....	10,818.4	10,486.4
Foreign market.....	21,467.4	17,889.9
Total.....	32,285.8	28,376.3

Our net service and sales revenues increased by 13.8% to R\$32,285.7 million in 2013, compared to R\$28,376.3 million in 2012.

In Brazil, our net service and sales revenues increased by 3.2% to R\$10,818.4 million in 2013, compared to R\$10,486.4 million in 2012. This increase was primarily due to the construction projects that we were involved with in connection with the World Cup.

Outside Brazil, our net service and sales revenues measured in *reais* increased by 20.0% to R\$21,467.4 million in 2013, compared to R\$17,889.9 million in 2012. This increase was primarily due to the increase of our backlog, and therefore production, outside Brazil, such as in Angola (Cambambe II Hydroelectric Power Plant and Laúca Hydroelectric Power Plant) and Panama (Tocumen International Airport and Santiago David Road). 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 13.6% to R\$27,280.6 million in 2013, compared to R\$24,008.3 million in 2012, generally in line with the growth in our net service and sales 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 and sales revenues in 2013 compared to 84.6% in 2012.

Gross Margin

Our gross margin (gross profit divided by net service and sales revenues) increased to 15.5% in 2013, compared to 15.4% in 2012.

General and Administrative Expenses

Our general and administrative expenses (including management's remuneration) increased by 16.8% to R\$2,309.6 million in 2013, compared to R\$1,976.7 million in 2012. This increase was higher than the level of increase in our revenues over the corresponding period.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 11.1% to R\$467.1 million in 2013 compared to R\$420.5 million in 2012, due mainly to the effects of exchange rate variations relating to certain contracts outside of Brazil and reflecting the increase in capital expenditures in 2013.

Results from Investments in Associated Companies

Our results from investments in associated companies increased from R\$66.3 million in 2012 to R\$545.5 million in 2013. This increase 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\$687.2 million in 2012 to an expense of R\$870.5 million in 2013, primarily due to exchange rate variation.

Other Income (Expenses), Net

Other income (expenses), net increased from an expense of R\$45.6 million in 2012 to income of R\$25.9 million in 2013. These results were primarily due to the sales of property, plant and equipment of projects that were concluded.

Income Before Social Contribution and Income Tax

Income before social contribution and income tax increased by 38.9% to R\$2,396.3 million in 2013, compared to R\$1,724.9 million in 2012, primarily due to the impact of an increase in our net service and sales revenues, and results from investments in associated companies, as discussed above.

Social Contribution and Income Tax

Our social contribution and income tax decreased by 12.5% to R\$701.7 million in 2013, compared to R\$802.4 million in 2012, due to the increase in our revenues and gross profit over the period.

Net Income

As a result of the foregoing, we recorded net income of R\$1,694.6 million in 2013, compared to R\$922.5 million in 2012, representing an increase of 83.7%.

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

The discussion below is based on our financial statements as originally presented as of and for the years ended December 31, 2012 and 2011 and have not been re-presented. Accordingly our financial statements as of and for the years ended December 31, 2012 and 2011, as originally presented, are not fully comparable to our financial statements as of and for the years ended December 31, 2013 and the re-presented financial statements as of and for the year ended December 31, 2012.

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

	For the years ended December 31,	
	2012	2011
Net service and sales 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 expenses, net.....	(2.3)%	(2.3)%
Income before social contribution and income tax.....	6.1%	6.3%
Net income.....	3.3%	4.3%

Net Service and Sales Revenues

	For the years ended December 31,	
	2012	2011
	<i>(amounts expressed in millions of reais)</i>	
Net service and sales 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 and sales 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 and sales 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 were 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 and sales 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 were 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 and sales 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 and sales revenues in 2012 compared to 83.2% in 2011.

Gross Margin

Our gross margin (gross profit divided by net service and sales 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 Social Contribution and Income Tax

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 service and sales 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%.

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 March 31, 2014, our cash and cash equivalents and financial investments totaled R\$6,836.6 million, as compared to R\$5,578.7 million at March 31, 2013. This increase was due to the increase in the generation of operating cash flow.

Net cash used in operating activities increased by R\$283.2 million to a net cash use of R\$711.3 million at March 31, 2014, compared to a net cash use of R\$428.1 million at March 31, 2013, primarily as a result of increased project activity partially offset by working capital consumption.

Our current assets decreased by R\$4,987.3 million to R\$21,790.2 million at March 31, 2014, compared to R\$16,802.9 million at March 31, 2013, primarily due to the decrease in our cash and cash equivalents.

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 March 31, 2014, December 31, 2013 and December 31, 2012, we had overdue accounts receivable of R\$325.6 million, R\$325.6 million, and R\$446.2 million respectively. At March 31, 2014, our overdue receivables represented 1.1% 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\$1,801.8 million to R\$8,509.4 million at March 31, 2014, compared to R\$6,707.6 million at March 31, 2013. The increase in our working capital is primarily due to advances from customers resulting from our increase in production during the first quarter of 2014.

At March 31, 2014, our total debt was R\$486.5 million, consisting of R\$206.0 million in short-term debt and R\$280.5 million in long-term debt. At March 31, 2014, our *real*-denominated debt and foreign currency-denominated debt were R\$171.5 million and R\$315.0 million, respectively. At March 31, 2014, 60.2% of our total debt was secured by collateral (mainly equipment financing). Our total debt at March 31, 2014 excludes our guaranty of the 2014 notes (which were repaid on April 9, 2014), the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes, the 2042 notes, the 2018 notes and the 2025 notes.

At December 31, 2013, our total debt was R\$519.3 million, consisting of R\$218.6 million in short-term debt and R\$300.7 million in long-term debt. At December 31, 2013, our *real*-denominated debt and foreign currency-denominated debt were R\$164.3 million and R\$355.0 million, respectively. At December 31, 2013, 61.0% of our total debt was secured by collateral (mainly equipment financing). Our total debt, at December 31, 2013, excludes our guaranty of the 2014 notes, the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes, the 2042 notes, the 2018 and the 2025 notes.

The decrease in our short-term debt at March 31, 2014 compared to December 31, 2013 was due to the payment and prepayment of certain debt in 2013. This also explains the decrease in our long-term debt at March 31, 2014 compared to December 31, 2013. The following table sets forth, at March 31, 2014, our outstanding principal obligations in foreign currencies and *reais* maturing in the years ending December 31, 2014, 2015, 2016 and 2017 and thereafter (excluding our guaranties of the 2020 notes, the perpetual notes, the 2023 notes, the 2022 notes, the 2042 notes, the 2018 notes and the 2025 notes).

	At December 31,			
	2014	2015	2016	2017 and after
	<i>(in millions of reais)</i>			
Local Currency	44.2	48.2	42.1	37.1
Foreign Currencies (1).....	125.1	73.7	60.2	55.9
Total	<u>169.3</u>	<u>121.9</u>	<u>102.3</u>	<u>93.0</u>

(1) Indebtedness denominated in U.S. dollars was translated for convenience only using the commercial selling rate as reported by the Central Bank at March 31, 2014 for *reais* into U.S. dollars of R\$2.263 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 2018, 2020, 2022, 2023, 2025 and 2042 notes)

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 March 31, 2014, the outstanding aggregate principal amount of the 2020 notes was U.S.\$82.9 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 March 31, 2014, the outstanding aggregate principal amount of the 2023 notes was U.S.\$120.5 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 March 31, 2014, 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 notes 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 March 31, 2014, the outstanding aggregate principal amount of the 2042 notes was U.S.\$840.2 million.

On April 25, 2013, Odebrecht Finance issued the 2018 notes. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 8.25% per annum and is payable semi-annually, in arrears, on April 25 and October 25 of each year, beginning on October 25, 2013. At March 31, 2014, the outstanding aggregate principal amount of the 2018 notes was R\$500.0 million (U.S.\$220.9 million at March 31, 2014, using the commercial selling rate as reported by the Central Bank at March 31, 2014).

On April 25, 2013, Odebrecht Finance also issued the 2025 notes. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 4.375% per annum and is payable semi-annually, in arrears, on April 25 and October 25 of each year, beginning on October 25, 2013. At March 31, 2014, the outstanding aggregate principal amount of the 2025 notes was U.S.\$518.6 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.

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

Our consolidated capital expenditures totaled R\$305.5 million during the three-month period ended March 31, 2014 and R\$319.5 million during the corresponding period in 2013. During the year ended December 31, 2013 and 2012, our consolidated capital expenditures totaled R\$ 1,057.2 million and R\$736.5 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 65.2% of our total net revenues in 2013).

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 three-month period ended March 31, 2014 of R\$4.5 million. At March 31, 2014, we had derivative operations outstanding in the amount of R\$1,267.2 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 2013 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, Mexico 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\$7,119.4 million (U.S.\$3,146.0 million) in the three-month period ended March 31, 2014 and R\$31,852.0 million (U.S.\$14,075.1 million) in the year ended December 31, 2013. We reported EBITDA of R\$704.1 million (U.S.\$311.1 million) in the three-month period ended March 31, 2014 and R\$3,162.6 million (U.S.\$1,397.5 million) in the year ended December 31, 2013.

We believe we are:

- Brazil's largest exporter of services with R\$21,466.4 million (U.S.\$9,485.8 million), or 67.4% of our gross service revenues in 2013, coming from outside Brazil;
- The largest contractor in Latin America, according to ENR, as measured by gross revenues in each region in 2013;
- The world's 12th largest international contractor, according to ENR, as measured by "gross revenues outside the home country" in 2012
- The world's 18th largest global contractor, according to ENR, as measured by our gross revenues in 2012 ;
- The world's fourth largest international contractor in the water segment in 2013, according to ENR; and
- The ninth largest international contractor in the transportation segment in 2013, 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 2013, 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 2012 sales and net income, according to the magazine "*Revista Melhores e Maiores 2013*." Holding 50.1% of its voting capital at March 31, 2014, the Odebrecht Group is also the controlling shareholder of Braskem, the largest petrochemical company in Latin America, based on average annual production capacity in 2013, and the fifth largest Brazilian-controlled

private sector industrial company based on sales in 2012, according to the magazine “*Revista Melhores e Maiores 2013*.”

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 and sales revenues) for the three-month periods ended March 31, 2014 and 2013 were each 9.8%, and for the years ended December 31, 2013 and 2012 were 9.8% and 9.9%, respectively. The sum of our cash and cash equivalents and financial investments totaled R\$6,836.7 million (U.S.\$3,021.1 million) and R\$8,905.6 million (U.S.\$3,935.3 million) at March 31, 2014 and December 31, 2013, 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 March 31, 2014, we had 208 ongoing projects: Brazil (81); Angola (40); Venezuela (23); Peru (8); the Dominican Republic (9); Panama (12); Argentina (4); the United States (9); Portugal (1); Mozambique (2); Colombia (3); Mexico (2); Ecuador (8) and other (6).

The percentage of our gross service revenues derived from international projects has increased from approximately 30.0% in 1992 to 67.4% in the year ended December 31, 2013. 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 March 31, 2014, our backlog represented U.S.\$33.1 billion, or more than two years of future services based on our performance of 2013. We expect to complete approximately 35% to 45% of our total backlog by the end of 2014. 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 three-month period ended March 31, 2014 had a total contract amount of U.S.\$2,928 million, of which (1) U.S.\$372 million is for new contracts and amendments to existing contracts located in Brazil and (2) U.S.\$2,554 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 three-month period ended March 31, 2014.

In Brazil:

- Rio Manso System Expansion, State of Minas Gerais (new contract) (U.S.\$221.8 million);
- Rio Barra Metro Consortium, State of Rio de Janeiro (amendment) (U.S.\$120.4 million); and
- Porto Rio Express Way, State of Rio de Janeiro (new contract) (U.S.\$30.2 million).

In countries outside Brazil:

- Thermoelectric Project, Dominican Republic (new contract) (U.S.\$920.0 million);
- Laúca Hydroelectric Power Plant, Angola (amendment) (U.S.\$611.4 million);

- Cadca Ethanol Plant, Venezuela (amendment) (U.S.\$356.0 million);
- Sarmiento Earthmoving, Argentina (amendment) (U.S.\$231.0 million);
- Viana Industrial Park, Angola (amendment) (U.S.\$113.9 million); and
- Miguel Hidalgo Refinery, Mexico (new contract) (U.S.\$108.0 million).

Experienced and Professional Management Team

We believe 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 we believe motivates 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 CAF and 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 (35 years), Angola (30 years), and Venezuela (20 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 March 31, 2014, our insurance coverage, which protects us against risks, such as engineering risk, operational risk and civil liability, totaled U.S.\$46,029 million, compared to U.S.\$44,741 million at December 31, 2013. At March 31, 2014, our surety bond coverage, which insures execution and performance of construction works, amounted to U.S.\$14,809 million compared to U.S.\$13,759 million at December 31, 2013.

- We seek to obtain approximately 10% to 15% down payments on the execution date of project contracts with customers located outside of Brazil. At March 31, 2014, we had R\$4,070.3 million (U.S.\$1,798.6 million) in short-term advances from customers and R\$8,269.7 million (U.S.\$3,654.3 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 and urban development and energy, 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 believe 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 Kenya and Tanzania, we may seek to further increase our operations in Africa. In 2013, we began operations in Ghana, with the development of its Eastern Corridor Highway.

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.

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 three-month period ended March 31,		For the years ended December 31,		
	2014	2013	2013	2012	2011
				(Restated)	
Dams & power plants (1)	1,051.5	880.4	4,746.1	3,741.5	3,927.9
Transportation (2)	3,148.3	2,780.9	15,116.9	12,485.7	10,369.9
Building & manufacturing plants (3)	718.7	411.1	2,478.0	1,074.5	749.0
Assembly & erection (4)	1,648.1	1,152.0	6,856.7	5,256.8	3,082.9
Infrastructure (5)	771.1	674.9	3,730.8	6,334.2	4,069.9
Total	7,336.7	5,899.3	32,928.5	28,892.7	22,199.6

(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\$):

Location	For the three-month period ended March 31,		For the years ended December 31,		
	2014	2013	2013	2012	2011
				(Restated)	
Brazil	2,144.3	2,479.5	11,454.8	10,998.3	9,916.9
Venezuela	1,728.7	799.7	7,340.9	6,272.4	3,410.0
Other Latin American countries	2,413.4	1,846.8	9,739.1	8,343.3	5,645.3
United States	63.2	58.6	287.4	227.1	412.0
Portugal	2.5	21.0	80.5	238.8	326.6
Angola	826.6	562.4	3,614.5	2,491.8	2,067.9
Other African countries	120.7	113.4	386.0	250.7	418.2
Others	37.3	17.9	25.3	70.3	2.7
Total	7,336.7	5,899.3	32,928.5	28,892.7	22,199.6

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 67.4% in 2013.

In the pursuit of our goal of balancing our domestically and internationally generated revenues, we have invested over the past 35 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 March 31, 2014, we had a total of 208 projects underway, 127 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);
- 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.

Angola

We have an established presence in Angola where we have been operating for over 30 years primarily in infrastructure projects, currently including the construction of the following major projects:

- roads, such as Luanda's Expressways, Marginal Sudeste Road, Catata-Lóvuá Road, Benguela Road;
- water and sewage systems, such as Benguela Waters and Luanda Waters;
- Viana Industrial Park;
- Cambambe and Cambambe II Hydroelectric Power Plants, Gove Hydroelectric Power Plant and Laúca Hydroelectric Power Plant;

- logistics and distribution project in Luanda;
- Zango housing project;
- SONAREF project;
- Laúca River detour; and
- Catumbela Airport.

Fifteen of the projects underway in Angola have been financed by BNDES, representing approximately 78.6% of our total backlog in that country, which is U.S.\$5,994.8 million at March 31, 2014.

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 21 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;
- the Metro Guarenas-Guatire;
- Gas Anaco; and
- the Puerto de La Cruz Refinery.

Our total backlog in Venezuela is approximately U.S.\$8,086.2 million at March 31, 2014.

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 Marine Terminal Matarani and minerals shipment infrastructure at the Callao port (total backlog of approximately U.S.\$984.8 million at March 31, 2014);
- 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 and the Hermanas Aqueduct (total backlog of approximately U.S.\$ 1,536.2 million at March 31, 2014);
- in Argentina, the Ducts Maintenance for Petrobras, the TGS gas pipeline, the Paraná de Las Palmas Water Treatment Plant and the Sarmiento earthmoving (total backlog of approximately U.S.\$563.1 million at March 31, 2014);
- in Panama, the Metro in Panama City, the Cinta Costera Road, the Tocumen International Airport, Santiago David Road, the Maden-Colón Road and two water treatment facilities (total backlog of approximately U.S.\$1,521.5 million at March 31, 2014);
- in Colombia, Ruta del Sol Road, Compros highway and Canoas Sanitation System (total backlog of approximately U.S.\$481.5 million at March 31, 2014);
- in Ecuador, Pacific Refinery, the Daule Vines Irrigation, the Manduriacu Dam, the Ruta Viva highway and the Pucara Hydroelectric Power Plant in Ecuador (total backlog of approximately U.S.\$877.3 million at March 31, 2014);
- in Mexico, the Ethylene XXI plant for Braskem and Miguel Hidalgo Refinery (total backlog of approximately U.S.\$627.5 million at March 31, 2014); and
- In Guatemala, the CA-02 Highway (total backlog of U.S.\$297.8 million at March 31, 2014).

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.\$378.9 million at March 31, 2014.

United States

We commenced operations in the United States 22 years ago, where we have completed 62 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.\$467.2 million at March 31, 2014).

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 Lusoporte 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.

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 March 31, 2014, representing 0.8% of our total backlog at March 31, 2014. 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.\$550.7 million at March 31, 2014.

In 2012, we began operations in the United Arab Emirates, developing a waste water pumping station. This project totaled approximately U.S.\$274.9 million at March 31, 2014.

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 March 31, 2014:

- our backlog represented approximately U.S.\$33,148 million, or more than two years of future work; and
- we expect to complete approximately 35% to 45% of our total backlog by the end of 2014.

The following table sets forth our consolidated backlog for Brazil and outside Brazil at March 31, 2014 and 2013 and December 31, 2013, 2012 and 2011:

	At March 31,	At December 31,		
	2014	2013	2012	2011
		<i>(in millions of U.S.\$)</i>		
Brazil	10,095	10,438	11,061	13,166
Outside Brazil	23,053	2,422	22,665	19,124
Total	33,148	33,860	33,726	32,290

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 during the three-month period ended March 31, 2014 had a total contract amount of U.S.\$2,928.0 million, of which U.S.\$372.4 million are for projects located in Brazil and U.S.\$2,555.6 million are for projects located outside Brazil. These new projects include: (1) Thermoelectric Project, Dominican Republic (U.S.\$920.0 million); (2) Laúca Hydroelectric Power Plant, Angola (U.S.\$611.4 million); (3) Cadca Ethanol Mill, Venezuela (U.S.\$356.0 million); (4) Sarmiento Earthmoving, Argentina (U.S.\$ 231.0 million); and (5) Others (U.S.\$437.2 million).

The following table sets forth our backlog by country and type of contract at March 31, 2014:

Country	Transportation	Building/ Manufacturing Plants	Power Plants/Dams	Assembly & Erection	Infrastructure	Total
						<i>(in millions of U.S.\$)</i>
Brazil	5,166.1	116.8	2,029.7	1,341.7	1,440.7	10,095.0
Venezuela	4,699.0	60.5	73.3	654.6	2,598.9	8,086.2
Angola	1,170.8	432.9	4,321.6	8.3	61.3	5,994.8
Argentina	222.9	-	-	274.2	66.0	563.1
Peru	681.1	3.0	260.9	-	39.8	984.8
Mexico	-	-	-	-	627.5	627.5
Panama	1,150.5	-	-	-	371.0	1,521.5
Dominican Republic	588.9	-	920.0	-	32.8	1,541.8
Mozambique	82.0	-	-	468.7	-	550.7
Colombia	481.2	-	-	-	0.3	481.5
Ecuador	26.2	-	38.8	661.2	151.2	877.3
Cuba	1.3	-	-	377.5	-	378.8
UAE	-	-	-	-	274.9	274.9
Libya	258.6	-	-	-	-	258.6
USA	446/0	-	-	1.9	19.4	467.2
Ghana	145.0	-	-	-	-	145.0
Portugal	-	-	1.5	-	-	1.5
Guatemala	297.8	-	-	-	-	297.8
Total	15,417.5	613.2	7,647.7	4,413.6	5,056.3	33,148.3

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 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. 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.

CNO has an approximate U.S.\$17.0 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.\$ 14.8 billion have been drawn under the facility.

In addition, we also enter into standby letters of credit and other bank guaranties customarily required to be provided by contractors. At March 31, 2014, we had standby letters of credit and other bank guaranties outstanding in the aggregate amount of U.S.\$354.1 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 guaranty 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.

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, enables 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) ongoing relations with important international suppliers.

Competition

We are the largest engineering and construction company in Latin America as measured by 2013 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 manage our projects efficiently. Third, our projects are often eligible for funding from the Brazilian government for service exports and from multilateral financial institutions.

Employees

At March 31, 2014, we had 125,954 employees, 68,602 of whom were employed in Brazil and 57,352 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 2013 and 2012 amounted to R\$52.6 million and R\$47.7 million, respectively.

Property, Plant and Equipment

At March 31, 2014, the net book value of our property, plant and equipment was R\$2,300.3 million (U.S.\$1,016.5 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 March 31, 2014, we had net deferred income tax liability totaling R\$56.1 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 March 31, 2014 and December 31, 2013, we had recorded an aggregate provision of R\$110.5 million and R\$98.4 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 March 31, 2014 and December 31, 2013 to labor, civil and tax claims in the aggregate amount of R\$726.1 million and R\$708.9 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 Issuer's authorized share capital consists of 1,500,000,000 shares. At March 31, 2014, the Issuer's issued capital consisted of 165,000,000 fully paid-in shares with 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 (2013 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. Marcela Aparecida Drehmer Andrade, Mônica Bahia Odebrecht, Mauricio Roberto de Carvalho Ferro and Mauro Motta Figueira. The business address of Messrs. Marcela Aparecida Drehmer Andrade, Mônica Bahia Odebrecht and Mauricio Roberto de Carvalho Ferro is Rua Lemos Monteiro, nº 120, 15th floor, Butantã, São Paulo – SP, CEP: 05501-050, Brazil. The business address of Mr. Mauro Motta Figueira is Rua Lemos Monteiro, nº 120, 16th floor, Butantã, São Paulo – SP, CEP: 05501-050, Brazil.

The financial information contained in this offering memorandum includes audited financial statements of Odebrecht Finance as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012) and as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), which have been audited by its independent auditors, as stated in their report included elsewhere in this offering memorandum. Odebrecht Finance's interim financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), which have been subject to a review by its independent auditors, are also included 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 officers has a current term of office that ends on our annual shareholders’ meeting in 2015. 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
Antonio Marco Campos Rabello	Officer
André Vital Pessoa de Melo	Officer
Augusto Roque Dias Fernandes Filho	Officer
Fabio Andreani Gandolfo	Officer
Leandro Andrade Azevedo	Officer

The business address of each of our executive officers is Rua Lemos Monteiro, nº 120, 15th/16th floors, Butantã, São Paulo – SP, CEP: 05501-050, 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 Silveira – 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.

Antonio Marco Campos Rabello – Mr. Rabello has been our chief financial officer since August 2013. He has held various positions in the Odebrecht Group since 2003, including chief financial officer of Odebrecht Óleo e Gás S.A. and Odebrecht Energia S.A. and controller of Braskem S.A. Mr. Rabello holds a bachelor's degree in business administration from UNIFACS and a master's degree in business administration from Fundação Getúlio Vargas.

André 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.”

Augusto Roque Dias Fernandes Filho – Mr. Roque has been an officer of our company since January 2009. He joined the Odebrecht Group in 1985, as a production manager, and has held various positions, including contract director and country director for Mexico. In April 2013, he was appointed energy director for Brazil – CNO Infrastructure. From 1997 to 2002, Mr. Roque worked as a contract officer and was responsible for developing feasibility and construction projects for several hydroelectric power stations. He holds a degree in civil engineering from Universidade Federal Fluminense and a master's degree in business administration (energy) from Fundação Getúlio Vargas.

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 March 31, 2014, the aggregate amount of our issued and outstanding capital stock was R\$2,170.3 million, fully paid-in, represented by 163,912,961 common shares and 119,248,213 preferred shares. On April 28, 2014, the aggregate amount of our issued and outstanding capital stock was increased by R\$1,832.6 million to R\$4,002.9 million, fully paid-in, represented by 163,912,961 common shares and 119,248,213 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 March 31, 2014, 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 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 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.

For the year ended December 31, 2012, our management approved the payment of dividends in an aggregate amount of R\$100.0 million, which is less than 25.0% of our annual net income. For the year ended December 31, 2013, we paid dividends in the aggregate amount of R\$716.7 million, consisting of R\$387.4 million in compulsory dividends and R\$329.3 million from the partial distribution of the balance of our unrealized revenue reserves.

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,				
	2013	2012	2011	2010	2009
	<i>(in thousands of reais)</i>				
Dividends.....	716,698 (1)	100,000	100,000	100,000	110,000
Interest on shareholders' equity	—	—	—	—	58,250
Total.....	716,698	100,000	100,000	100,000	168,250

(1) Consists of R\$387.4 million in compulsory dividends and R\$329.3 million from the partial distribution of the balance of our unrealized revenue reserves.

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 20 to our unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013).

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 March 31, 2014, we were owed, in total, R\$2,358.7 million (R\$1,496.8 million at December 31, 2013) as a result of inter-company transactions with certain affiliates of Odebrecht pursuant to a cash management agreement. On the other hand, at March 31, 2014, we owed R\$149.8 million (R\$154.2 million at December 31, 2013) 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 20 to our unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013).

TERMS AND CONDITIONS

The U.S.\$500.0 million of the Issuer's 5.250% notes due 2029 (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, unsubordinated and unsecured of the Guarantor that will at all times rank at least equally with all other present and future unsubordinated and unsecured 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 Codes. 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 5.250% *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 June 27 and December 27 of each year (the "Interest Payment Dates"). The first payment of interest will be made on December 27, 2014. 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 June 27, 2029.

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, (ii) Odebrecht S.A. or (iii) any Wholly Owned Subsidiary of the Guarantor or Odebrecht S.A. 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.\$150.0 million (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.\$150.0 million (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. Any additional amounts paid by Construtora Norberto Odebrecht S.A. in case of the redemption of the notes by Construtora Norberto Odebrecht S.A. will be treated as capital gain in Brazil and subject to the rates aforementioned. 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.

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 June 19, 2014, 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
Citigroup Global Markets Inc.	U.S.\$ 83,334,000
Deutsche Bank Securities Inc.	U.S.\$ 83,334,000
Itau BBA USA Securities Inc.	U.S.\$ 83,333,000
J.P. Morgan Securities LLC	U.S.\$ 83,333,000
Mitsubishi UFJ Securities (USA), Inc.	U.S.\$ 83,333,000
Santander Investment Securities Inc.	U.S.\$ 83,333,000
Total	<u>U.S.\$500,000,000</u>

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.

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

The notes were delivered against payment for the notes on or about the date specified in the last paragraph of the cover page of this offering memorandum.

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 and admit to trading the notes 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.

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 and covering transactions may cause the price of the notes to be higher than 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.

We expect that the initial purchasers will act as dealer managers in the tender offer we intend to conduct for the 2020 notes, 2022 notes, 2023 notes and 2025 notes and they or their affiliates could hold some of the notes being tendered and to such extent could receive a portion of the proceeds from this offering. For further information, see "Summary—Recent Developments—Anticipated Tender Offer for the 2020 Notes, 2022 Notes, 2023 Notes and 2025 Notes."

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. As of the date of this offering memorandum, the issuer had outstanding amounts due to Deutsche Bank Securities Inc. related to the offerings of the 2022 notes, the 2023 notes and the 2025 notes.

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 2000, 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 (*Superintendencia 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 *décret* 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 (Winding Up and Miscellaneous Provisions) 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.

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 acknowledgments, 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, Barriou 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 as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012) and as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), 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 included elsewhere in this offering memorandum.

With respect to our unaudited condensed interim consolidated financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), included elsewhere in this offering memorandum, PricewaterhouseCoopers Auditores Independentes reported that they have applied limited procedures in accordance with the standards of IBRACON and CFC for a review of such information. However, their separate report dated May 9, 2014, included elsewhere in this offering memorandum, states that they did not audit and do not express an opinion on such condensed interim consolidated financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The financial statements of Odebrecht Finance as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012) and as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011), 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 included elsewhere in this offering memorandum. The audit reports included in the financial statements as at December 31, 2013 and for the year then ended (which contains comparative figures for the year ended December 31, 2012) and as at December 31, 2012 and for the year then ended (which contains comparative figures for the year ended December 31, 2011) contain explanatory paragraphs regarding Odebrecht Finance's accumulated losses, deficit in stockholders' equity and negative working capital requiring additional long-term funds to cover its commitments, which are currently guaranteed by its stockholder.

With respect to the interim financial statements of Odebrecht Finance as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013), included elsewhere in this offering memorandum, PricewaterhouseCoopers Auditores Independentes reported that they have applied limited procedures in accordance with the standards of IBRACON and the CFC for a review of such information. However, their separate report dated May 9, 2014, included elsewhere in this offering memorandum, states that they did not audit and do not express an opinion on such interim financial statements. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. The review report included in the interim financial statements as at March 31, 2014 and for the three months then ended (which contains comparative figures for the three months ended March 31, 2013) contains explanatory paragraphs regarding Odebrecht Finance's accumulated losses, deficit in stockholders' equity and negative working capital requiring additional long-term funds to cover its commitments, which are currently guaranteed by its stockholder.

LISTING AND GENERAL INFORMATION

The notes are accepted for clearance and settlement through DTC, Euroclear and Clearstream Luxembourg. The CUSIP and ISIN numbers and Common Codes for the notes are as follows:

	<u>Regulation S Global Note</u>	<u>Rule 144A Global Note</u>
CUSIP	G6710E AQ3	675758 AM8
ISIN	USG6710EAQ38	US675758AM80
Common Code	108223863	108223898

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 March 31, 2014, the date of the issuer's and our latest financial statements included in this offering memorandum.

Except as disclosed in this offering memorandum, neither we nor the issuer is 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 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 June 16, 2014. The issuance of the guaranty was authorized pursuant to a meeting of the officers of CNO on June 18, 2014.

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Report on the Review of Interim Financial Statements at March 31, 2014

To the Board of Directors and Stockholders
Odebrecht Finance Ltd.

Introduction

We have reviewed the accompanying interim balance sheet of Odebrecht Finance Ltd. (the "Company"), as at March 31, 2014 and the related statements of operations, changes in net capital deficiency and cash flows for the quarter then ended, and a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements referred to above do not present fairly, in all material respects, the financial position of Odebrecht Finance Ltd. as at March 31, 2014, and its financial performance and cash flows for the quarter then ended in accordance with CPC 21.

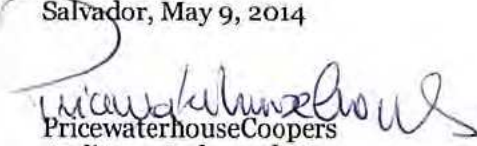


Odebrecht Finance Ltd.

Emphasis of matter

We draw attention to Note 1 to these interim financial statements, which discloses that Odebrecht Finance Ltd. incurred losses of US\$ 58,318 thousand during the three-month period ended March 31, 2014 and, as of that date, the Company had accumulated losses of US\$ 877,141 thousand and net capital deficiency of US\$ 712,141 thousand, as well as excess of current liabilities over current assets of US\$ 84,200 thousand. This indicates the need to obtain additional long-term financial resources, as currently guaranteed by its stockholder, to cover the Company's commitments (Note 1). Our conclusion is not qualified in respect of this matter.

Salvador, May 9, 2014


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" BA


Fábio Cajazeira Mendes
Contador CRC 1SP196825/O-o "S" BA

Odebrecht Finance Ltd.

Balance sheets

In thousands of U.S. dollars

	March 31, 2014	December 31, 2013	
Assets			Liabilities and net capital deficiency
Current assets			Current liabilities
Cash and cash equivalents	5	11	Debt (Note 5)
	<u>5</u>	<u>11</u>	
Non-current assets			Non-current liabilities
Related parties (Note 4)	2,459,180	2,489,696	Debt (Note 5)
	<u>2,459,180</u>	<u>2,489,696</u>	
			Net capital deficiency (Note 6)
			Subscribed capital
			Accumulated losses
Total assets	<u><u>2,459,185</u></u>	<u><u>2,489,707</u></u>	Total liabilities and net capital deficiency

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

Odebrecht Finance Ltd.

Interim Statements of operations Three-month periods ended March 31

In thousands of U.S. dollars

	<u>2014</u>	<u>2013</u>
Continued operations		
Operating expenses		
Administrative expenses	(64)	(392)
Financial expenses, net (Note 7)	<u>(58,254)</u>	<u>(51,428)</u>
Loss for the period	<u><u>(58,318)</u></u>	<u><u>(51,820)</u></u>

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

Odebrecht Finance Ltd.

Interim Statements of changes in net capital deficiency

In thousands of U.S. dollars

	Attributable to the owners		
	Subscribed capital	Accumulated losses	Total
At December 31, 2012	165,000	(537,202)	(372,202)
Loss for the period		(51,820)	(51,820)
At March 31, 2013	<u>165,000</u>	<u>(589,022)</u>	<u>(424,022)</u>

	Attributable to the owners		
	Subscribed capital	Accumulated losses	Total
At December 31, 2013	165,000	(818,823)	(653,823)
Loss for the period		(58,318)	(58,318)
At March 31, 2014	<u>165,000</u>	<u>(877,141)</u>	<u>(712,141)</u>

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

Odebrecht Finance Ltd.

Interim Statements of cash flows Three-month periods ended March 31

In thousands of U.S. dollars

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Loss for the period	(58,318)	(51,820)
Adjustments:		
Interest expense on debts	52,679	51,427
Repurchase premium, net	(2,115)	
Exchange variations, net	7,690	
Net cash used in operating activities	<u>(64)</u>	<u>(393)</u>
Cash flows from financing activities		
Related parties, net	30,516	14,455
Debts		
Principal paid	(16,135)	
Interest paid	(14,323)	(14,063)
Net cash provided by financing activities	<u>58</u>	<u>392</u>
Decrease in cash and cash equivalents, net	(6)	(1)
Cash and cash equivalents in the beginning of the period	<u>11</u>	<u>1</u>
Cash and cash equivalents at the end of the period	<u><u>5</u></u>	<u><u>1</u></u>

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

Odebrecht Finance Ltd.

Notes to the interim financial statements at March 31, 2014

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

1 Operations

Odebrecht Finance Ltd. ("OFL" or "the Company") was established on January 30, 2007, to enter into financial instruments transactions, to participate in insurance and reinsurance companies, and to participate in pension funds. OFL is registered in Grand Cayman - Cayman Islands.

The Company's only stockholder is Odebrecht S.A. ("ODB"), the ultimate parent company of the Odebrecht Organization ("The Organization"), incorporated in Salvador, Brazil.

The Company incurred losses of US\$ 58,318 during the three-month period ended March 31, 2014 and presented as at March 31, 2014 accumulated losses of US\$ 877,141, net capital deficiency of US\$ 712,141, as well as excess of current liabilities over current assets of US\$ 84,200. The Company is dependant on the operational structure of ODB. The Company's operations depend on the receipt of funds from ODB and from other related parties in the Organization, with which the Company has intercompany receivables of US\$ 2,459,180 (December 31, 2013 - US\$ 2,489,696) (Note 4).

In addition, Construtora Norberto Odebrecht S.A. ("CNO"), a related party controlled by ODB, guarantees all the Company's debts with third parties and ODB is committed to provide the necessary level of financial support to the Company to enable it to pay its debts.

These financial statements were approved by the Company's Executive Board on May 9, 2014.

2 Summary of Significant Accounting Policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the periods presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost, as modified by financial assets and financial liabilities measured at fair value.

These interim financial statements were prepared and are presented in accordance with the accounting pronouncement CPC 21 – Interim Financial Statements issued by the Accounting Pronouncements Committee (CPC), which has the objective to establish the minimum contents of interim financial statements.

There are no new pronouncements or interpretations of CPC's effective as from 2013 that could have a significant impact on the Company's financial statements.

Considering that there are no other items of comprehensive income in the three-month periods ended March 31, 2014 and 2013, the Company is not presenting the statement of comprehensive income in these financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Odebrecht Finance Ltd.

Notes to the interim financial statements at March 31, 2014

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

2.3 Financial assets

Classification and measurement

The Company classifies its financial assets in the category of loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise 'Cash and cash equivalents' and 'Related Parties' in the balance sheet. At March 31, 2014 the amount of cash and cash equivalents is US\$ 5 (December 31, 2013 - US\$ 11).

Loans and receivables are carried at amortized cost using the effective interest method.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the statements of operations.

2.4 Debt

Debt is recognized initially at fair value, net of transaction costs incurred and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the life of the debt using the effective interest method.

2.5 Functional currency

As required by CPC 02 "The Effects of Changes in Foreign Exchange Rates", management performed an assessment of the Company's functional currency, taking into consideration all functional currency indicators described under CPC 02, including the level of autonomy of the Company in relation to the other Odebrecht Group companies.

As the Company's primary purpose is to provide funding to foreign Odebrecht Group companies through the issuance of U.S. dollar denominated debt and most of the Company's assets and liabilities are denominated in U.S. dollars, management has concluded that the U.S. dollar is the Company's functional currency.

2.6 Income taxes

The Company is not subject to income tax.

3 Financial risk management

The Company carries out financial transactions, involving (a) Cash and cash equivalents and (b) Debt, in order to manage the availability of funds for its operations, which are primarily related to funding the activities of the Odebrecht Group companies.

Risk management follows the policies approved by the Board of Directors. The purpose of risk management is to protect the cash flows of the Company.

Odebrecht Finance Ltd.

Notes to the interim financial statements at March 31, 2014

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

3.1 Liquidity risk

This is the risk that the Company lacks sufficient available funds to meet its financial commitments, due to the mismatch of terms or amounts of estimated receipts and payments.

The Company depends on the operational structure of ODB and in particular on the receipt of funds from ODB and other related parties in the Odebrecht Organization (Note 1).

To manage liquidity of cash in local and foreign currencies, projections of future disbursements and receipts are determined and monitored by the treasury department.

3.2 Derivative financial instruments

During the three-month period ended March 31, 2014 and year ended December 31, 2013, the Company did not enter into contracts which meet the definition of derivative instruments.

3.3 Interest rate

The Company is exposed to risks associated with the effects of fluctuations in the market interest rates on its financial position and cash flows.

The Company is the vehicle for raising funds in the international market for the Organization. The Company's debt is comprised of fixed interest rate borrowings, obtained mainly in the international financial market, in which the fixed rates are generally lower than the rates in the countries where the Organization companies operate.

However, due to differences of interest rates and charges on financial transactions, between the funds raised in the international market and the remittances to related parties, the Company incurred losses during the three-month period ended March 31, 2014 of US\$ 58,318 (March 31, 2013 - US\$ 51,820).

The Company's financial obligations are guaranteed by CNO.

Management monitors maturity mismatches in the Company's positions on a monthly basis and manages them within established limits, changing positions promptly as market outlooks change.

4 Related parties

	Non-current assets	
	March 31, 2014	December 31, 2013
ODB	1,563,370	1,798,933
Odebrecht Overseas Ltd.	895,523	690,476
ONL Investments BV	287	287
	2,459,180	2,489,696

The main balances with the Organization companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the entities Organization companies.

Odebrecht Finance Ltd.

Notes to the interim financial statements at March 31, 2014

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

The operations consist of lending of funds, assignments of credits and assumptions of obligations, and are not subject to financial charges.

5 Debt

			<u>March 31, 2014</u>		<u>December 31, 2013</u>
	<u>Currency</u>	<u>Interest rates</u>	<u>Principal plus interests (including transaction costs)</u>	<u>Interest rates</u>	<u>Principal plus interests (including transaction costs)</u>
BOND 2014 (i)	US\$	Coupon of 9.625 % p.a.	43,372	Coupon of 9.625 % p.a.	42,102
BOND 2020 (ii)	US\$	Coupon of 7.000 % p.a.	73,625	Coupon of 7.000 % p.a.	71,830
BOND Perpetual (iii)	US\$	Coupon of 7.500 % p.a.	749,152	Coupon of 7.500 % p.a.	749,020
BOND 2023 (iv)	US\$	Coupon of 6.000 % p.a.	119,676	Coupon of 6.000 % p.a.	117,793
BOND 2022 (v)	US\$	Coupon of 5.125 % p.a.	600,583	Coupon of 5.125 % p.a.	592,723
BOND 2042 (vi)	US\$	Coupon of 7.125 % p.a.	839,211	Coupon of 7.125 % p.a.	824,203
BOND 2018 (vii)	R\$	Coupon of 8.250 % p.a.	226,521		214,322
BOND 2025 (viii)	US\$	Coupon of 4.375 % p.a.	519,186		531,537
			<u>3,171,326</u>		<u>3,143,530</u>
Less: current liabilities			<u>84,205</u>		<u>46,906</u>
Long-term liabilities			<u>3,087,121</u>		<u>3,096,624</u>

Non-current amounts mature as follows:

	<u>March 31, 2014</u>	<u>December 31, 2013</u>
2018	219,359	211,798
2020	72,679	72,299
2022 and thereafter	<u>2,795,082</u>	<u>2,812,527</u>
	<u>3,087,121</u>	<u>3,096,624</u>

Considering that perpetual bonds have no defined maturity date, their final maturity are classified as 2022 and thereafter.

- (i) On April 9, 2009, OFL raised US\$ 200,000 (US\$ 197,520 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2014. Such Notes have a coupon of 9.625% per year, payable semi-annually. On April 5, 2011, OFL redeemed US\$ 156,116 of these Notes, by means of a Tender Offer.
- (ii) On October 21, 2009, OFL raised US\$ 500,000 (US\$ 488,994 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2020. Such Notes have a coupon of 7.000% per year, payable semi-annually, and provided OFL with a call option for early repayment on April 21, 2015. On November 5, 2012, OFL redeemed US\$ 379,033 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2042, as mentioned below. On November 23, 2012, OFL redeemed US\$ 2,375 of these Notes, paid in cash. On April 24, 2013, OFL redeemed US\$ 35,695 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2018 and the Notes due in 2025, as mentioned below. Additionally, OFL paid US\$ 5,711 as premium of the repurchase in April.

Odebrecht Finance Ltd.

Notes to the interim financial statements at March 31, 2014

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

- (iii) On September 14, 2010, OFL raised US\$ 500,000 (US\$ 494,383 net of the directly related transaction costs) in the international financial markets in the form of Perpetual Bonds with a call option for repayment after five years. Such Notes have a coupon of 7.500% per year, payable quarterly. This amount was forwarded to Odebrecht Overseas Ltd. which settled a perpetual bond of US\$ 200,000 on December 21, 2010 and retained the remaining balance in cash. On November 9, 2011, OFL raised an additional US\$ 250,000 (US\$ 248,438 net of the directly related transaction costs) in the international financial markets in the form of the Perpetual Bonds, under the same conditions as the Notes previously issued.
- (iv) On April 5, 2011, OFL raised US\$ 500,000 (US\$ 497,363 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2023. Such Notes have a coupon of 6.000% per year, payable semi-annually. The proceeds of this issuance were used to liquidate the Tender Offer on the Bonds due in 2014 and 2017 for US\$ 156,116 and US\$ 287,162 respectively. On January 26, 2012, OFL raised an additional US\$ 300,000 (US\$ 299,097 net of the directly related transaction costs) in the international financial markets in the form of Notes, under the same conditions as the US\$ 500,000 Notes due 2023, previously issued. On November 5, 2012 and on November 21, 2012, OFL redeemed US\$ 37,837 and US\$ 33,130 of these Notes respectively, by means of a Tender Offer using the proceeds of the additional Notes due in 2042, as mentioned below. On April 24, 2013, OFL redeemed US\$ 597,595 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2018 and the Notes due in 2025, as mentioned below. On May 9, 2013 OFL redeemed US\$ 10,957 of these Notes, paid in cash. Additionally, OFL paid US\$ 101,933 as premium of the repurchases in April and May.
- (v) On June 26, 2012, OFL raised US\$ 600,000 (US\$ 592,055 net of the directly related transaction costs) in the international financial markets in the form of Notes due in June 2022. Such Notes have a coupon of 5,125% per year, payable semi-annually.
- (vi) On June 26, 2012, OFL raised US\$ 400,000 (US\$ 391,715 net of the directly related transaction costs) in the international financial markets in the form of Notes due in June 2042. Such Notes have a coupon of 7,125% per year, payable semi-annually. On November 1, 2012, OFL raised an additional US\$ 450,000 in the international financial markets, under the same conditions as these Notes previously issued. The proceeds of this issuance were used to partially liquidate the Notes due in April 2020 and April 2023, for US\$ 379,033 and US\$ 70,967, respectively. On December 3, 2013, OFL redeemed US\$ 9,850 of these Notes, paid in cash. Additionally, OFL paid US\$ 352 less than the face value (discount) of the repurchase in December.
- (vii) On April 25, 2013 OFL raised, R\$ 500,000 – US\$ 249,826 (R\$ 494,598 – US\$ 246,991 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2018. Such Notes have a coupon of 8.250% per year, payable semi-annually. The proceeds of this issuance were used partially to liquidate the Notes in April 2020 and April 2023, for US\$ 35,695 and US\$ 597,595 respectively. The remaining balance will be used to repay certain indebtedness and for general corporate purposes.
- (viii) On April 25, 2013 OFL raised US\$ 550,000 (US\$ 540,517 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2025. Such Notes have a coupon of 4.375% per year, payable semi-annually. The proceeds of this issuance were used to partly liquidate the notes due in April 2020 and April 2023, of US\$ 35,695 and US\$ 597,595 respectively. The remaining balance will be used to repay certain indebtedness and for general corporate purposes. On June 10, 2013 and June 14, 2013, OFL redeemed US\$ 3,000 of these Notes, paid in cash. Additionally on September 24, 2013 and September 25, 2013, OFL redeemed US\$ 3,150 of these Notes, paid in cash. On December 3, 2013, OFL redeemed US\$ 7,000 of these Notes, paid in cash. Additionally, OFL paid US\$ 1,354 less than the face value (discount) of the repurchases in June, September and December. On March 5, 2014,

Odebrecht Finance Ltd.

Notes to the interim financial statements at March 31, 2014

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

OFL redeemed US\$ 18,250 of these Notes, paid in cash. Additionally, OFL paid US\$ 2,115 less than the face value (discount) of the repurchase.

All the above Notes are unconditionally and irrevocably guaranteed by CNO and have certain covenants, which are being complied with by the Company.

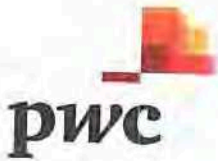
6 Equity (net capital deficiency)

The Company's authorized capital consists of 1,500,000,000 shares. At March 31, 2014 and December 31, 2013, issued capital comprises 165,000,000 shares with a par value of US\$ 1 each.

7 Financial expenses, net

	Three-month periods ended March, 31	
	2014	2013
Interest expense on debts	(52,679)	(51,427)
Repurchase premium, net	2,115	
Foreign exchange gains	(7,690)	
Other, net		(1)
	<u>(58,254)</u>	<u>(51,428)</u>

* * *



Independent Auditor's Report

To the Board of Directors and Stockholders
Odebrecht Finance Ltd.

We have audited the accompanying financial statements of Odebrecht Finance Ltd. ("Company"), which comprise the balance sheet as at December 31, 2013 and the related statements of operations, changes in net capital deficiency and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Odebrecht Finance Ltd. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

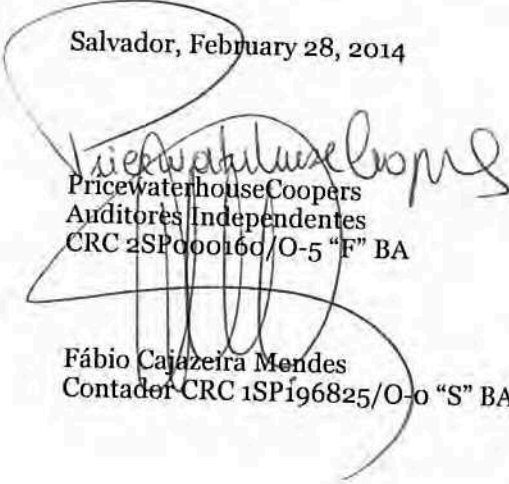


Odebrecht Finance Ltd.

Emphasis of matter

We draw attention to Note 1 to these financial statements, which discloses that Odebrecht Finance Ltd. incurred losses of US\$ 281,621 thousand in the year ended December 31, 2013 and, as of that date, the Company had accumulated losses of US\$ 818,823 thousand and net capital deficiency of US\$ 653,823 thousand, as well as an excess of current liabilities over current assets of US\$ 46,895 thousand. This indicates the need to obtain additional financial resources, as currently guaranteed by its stockholder, to cover the Company's commitments. Our opinion is not qualified in respect of this matter.

Salvador, February 28, 2014



PriceWaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" BA

Fábio Cajazeira Mendes
Contador CRC 1SP196825/O-0 "S" BA

Odebrecht Finance Ltd.

Balance sheets

In thousands of U.S. dollars

	<u>2013</u>	<u>2012</u>	
Assets			Liabilities and net capital deficiency
Current assets			Current liabilities
Cash and cash equivalents (Note 2.2)	11	1	Debts (Note 5)
	<u>11</u>	<u>1</u>	
Non-current assets			Non-current liabilities
Related parties (Note 4)	2,489,696	2,683,666	Debts (Note 5)
	<u>2,489,696</u>	<u>2,683,666</u>	
			Net capital deficiency (Note 6)
			Subscribed capital
			Accumulated losses
Total assets	<u><u>2,489,707</u></u>	<u><u>2,683,667</u></u>	Total liabilities and net capital deficiency

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

Odebrecht Finance Ltd.

Statements of operations Years ended December 31

In thousands of U.S. dollars

	<u>2013</u>	<u>2012</u>
Continued operations		
Operating expenses		
Administrative expenses	(516)	(1,333)
Financial expenses, net (Note 7)	<u>(281,105)</u>	<u>(185,643)</u>
Loss for the period	<u><u>(281,621)</u></u>	<u><u>(186,976)</u></u>

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

Odebrecht Finance Ltd.

Statements of changes in net capital deficiency

In thousands of U.S. dollars

	Attributable to the owners		
	Subscribed capital	Accumulated losses	Total
At December 31, 2011	165,000	(350,226)	(185,226)
Loss for the period		(186,976)	(186,976)
At December 31, 2012	165,000	(537,202)	(372,202)
Loss for the period		(281,621)	(281,621)
At December 31, 2013	165,000	(818,823)	(653,823)

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

Odebrecht Finance Ltd.

Statements of cash flows Years ended December 31

In thousands of U.S. dollars

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Loss for the period	(281,621)	(186,976)
Adjustments:		
Interest expense on debts	210,920	180,907
Repurchase premium, net	105,938	
Exchange variations, net	(35,786)	
Net cash used in operating activities	<u>(549)</u>	<u>(6,069)</u>
Cash flows from financing activities		
Related parties, net	193,970	(970,021)
Debts		
Funds obtained	787,508	1,725,563
Principal paid	(667,247)	(565,213)
Interest paid	(207,734)	(184,260)
Repurchase premium, net	(105,938)	
Net cash provided by financing activities	<u>559</u>	<u>6,069</u>
Increase in cash and cash equivalents, net	10	
Cash and cash equivalents in the beginning of the period	<u>1</u>	<u>1</u>
Cash and cash equivalents at the end of the period	<u><u>11</u></u>	<u><u>1</u></u>

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

Odebrecht Finance Ltd.

Notes to the financial statements at December 31, 2013

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

1 Operations

Odebrecht Finance Ltd. ("OFL" or "the Company") was established on January 30, 2007, to enter into financial instruments transactions, to participate in insurance and reinsurance companies, and to participate in pension funds. OFL is registered in Grand Cayman - Cayman Islands.

The Company's only stockholder is Odebrecht S.A. ("ODB"), the ultimate parent company of the Odebrecht Organization ("The Organization"), incorporated in Salvador, Brazil.

In 2013, the Company incurred losses of US\$ 281,621 and had accumulated losses of US\$ 818,823, net capital deficiency of US\$ 653,823, as well as excess of current liabilities over current assets of US\$ 46,895. The Company is dependant on the operational structure of ODB. The Company's operations depend on the receipt of funds from ODB and from other related parties in the Organization, with which the Company has intercompany receivables of US\$ 2,489,696 (December 2012 - US\$ 2,683,666) (Note 4).

In addition, Construtora Norberto Odebrecht S.A. ("CNO"), a related party controlled by ODB, guarantees all the Company's debts with third parties and ODB is committed to provide the necessary level of financial support to the Company to enable it to pay its debts.

These financial statements were approved by the Company's Executive Board on February 28, 2014.

2 Summary of Significant Accounting Policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost, as modified by financial assets and financial liabilities measured at fair value.

These financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC).

There are no new pronouncements or interpretations of CPC's effective as from 2013 that could have a significant impact on the Company's financial statements.

Considering that there are no other items of comprehensive income in the years ended December 31, 2013 and 2012, the Company is not presenting the statement of comprehensive income in these financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Odebrecht Finance Ltd.

Notes to the financial statements at December 31, 2013

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

2.3 Financial assets

Classification and measurement

The Company classifies its financial assets in the category of loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise 'cash and cash equivalents' and 'Related Parties' in the balance sheet. At December 31, 2013 the amount of cash and cash equivalents is US\$ 11 (December 31, 2012 US\$ 1).

Loans and receivables are carried at amortized cost using the effective interest method.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the statements of operations.

2.4 Debts

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

2.5 Functional currency

As required by CPC 02 "The Effects of Changes in Foreign Exchange Rates", management performed an assessment of the Company's functional currency, taking into consideration all functional currency indicators described under CPC 02, including the level of autonomy of the Company in relation to the other Odebrecht Group companies.

As the Company's primary purpose is to provide funding to foreign Odebrecht Group companies through the issuance of U.S. dollar denominated debt and most of the Company's assets and liabilities are denominated in U.S. dollars, management has concluded that the U.S. dollar is the Company's functional currency.

2.6 Income taxes

The Company is not subject to income tax.

3 Financial risk management

The Company carries out financial transactions, involving (a) Cash and cash equivalents and (b) Debt, in order to manage the availability of funds for its operations, which are primarily related to funding the activities of the Odebrecht Group companies.

Risk management follows the policies approved by the Board of Directors. The purpose of risk management is to protect the cash flows of the Company.

Odebrecht Finance Ltd.

Notes to the financial statements at December 31, 2013

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

3.1 Liquidity risk

This is the risk that the Company lacks sufficient available funds to meet its financial commitments, due to the mismatch of terms or amounts of estimated receipts and payments.

The Company depends on the operational structure of ODB and in particular on the receipt of funds from ODB and other related parties in the Odebrecht Organization (Note 1).

To manage liquidity of cash in local and foreign currencies, projections of future disbursements and receipts are determined and monitored by the treasury department.

3.2 Derivative financial instruments

During the years ended December 31, 2013 and 2012, the Company did not enter into contracts which meet the definition of derivative instruments.

3.3 Interest rate

The Company is exposed to risks associated with the effects of fluctuations in the market interest rates on its financial position and cash flows.

The Company is the vehicle for raising funds in the international market for the Organization. The Company's debts are all fixed interest rate borrowings, obtained mainly in the international financial market, in which the fixed rates are generally lower than the rates in the countries where the Organization companies operate.

However, due to differences of interest rates and charges on financial transactions, including the funds raised in the international market and the remittances to related parties, the Company incurred losses in the year ended December 31, 2013 of US\$ 281,621 (December 31, 2012 - US\$ 186,976).

The Company's financial obligations are guaranteed by CNO.

Management monitors maturity mismatches in the Company's positions on a monthly basis and manages them within established limits, changing positions promptly as market outlooks change.

4 Related parties

	Non-current assets	
	2013	2012
ODB	1,798,933	473,429
Odebrecht Overseas Ltd.	690,476	2,209,950
ONL Investments BV	287	287
	2,489,696	2,683,666

The main balances with the Organization companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the entities Organization companies.

The operations consist of lending of funds, assignments of credits and assumptions of obligations, and are not subject to financial charges.

Odebrecht Finance Ltd.

Notes to the financial statements at December 31, 2013

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

5 Debts

			<u>2013</u>		<u>2012</u>
	<u>Currency</u>	<u>Interest rates</u>	<u>Principal plus interests (including transaction costs)</u>	<u>Interest rates</u>	<u>Principal plus interests (including transaction costs)</u>
BOND 2014 (i)	US\$	Coupon of 9.625 % p.a.	42,102	Coupon of 9.625 % p.a.	41,117
BOND 2020 (ii)	US\$	Coupon of 7.000 % p.a.	71,830	Coupon of 7.000 % p.a.	107,263
BOND Perpetual (iii)	US\$	Coupon of 7.500 % p.a.	749,020	Coupon of 7.500 % p.a.	748,514
BOND 2023 (iv)	US\$	Coupon of 6.000 % p.a.	117,793	Coupon of 6.000 % p.a.	732,277
BOND 2022 (v)	US\$	Coupon of 5.125 % p.a.	592,723	Coupon of 5.125 % p.a.	592,061
BOND 2042 (vi)	US\$	Coupon of 7.125 % p.a.	824,203	Coupon of 7.125 % p.a.	834,637
BOND 2018 (vii)	R\$	Coupon of 8.250 % p.a.	214,322		-
BOND 2025 (viii)	US\$	Coupon of 4.375 % p.a.	531,537		-
			<u>3,143,530</u>		<u>3,055,869</u>
Less: current liabilities			<u>46,906</u>		<u>15,211</u>
Long-term liabilities			<u>3,096,624</u>		<u>3,040,658</u>

Non-current amounts mature as follows:

	<u>2013</u>	<u>2012</u>
2014		39,043
2018	211,798	
2020	72,299	105,673
2022 and thereafter	<u>2,812,527</u>	<u>2,895,942</u>
	<u>3,096,624</u>	<u>3,040,658</u>

Considering that perpetual bonds have no defined maturity date, their final maturity are classified as 2022 and thereafter.

- (i) On April 9, 2009, OFL raised US\$ 200,000 (US\$ 197,520 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2014. Such Notes have a coupon of 9.625% per year, payable semi-annually. On April 5, 2011, OFL redeemed US\$ 156,116 of these Notes, by means of a Tender Offer.
- (ii) On October 21, 2009, OFL raised US\$ 500,000 (US\$ 488,994 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2020. Such Notes have a coupon of 7.000% per year, payable semi-annually, and provided OFL with a call option for early repayment on April 21, 2015. On November 5, 2012, OFL redeemed US\$ 379,033 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2042, as mentioned below. On November 23, 2012, OFL redeemed US\$ 2,375 of these Notes, paid in cash. On April 24, 2013, OFL redeemed US\$ 35,695 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2018 and the Notes due in 2025, as mentioned below. Additionally, OFL paid US\$ 5,711 as premium of the repurchase in April.
- (iii) On September 14, 2010, OFL raised US\$ 500,000 (US\$ 494,383 net of the directly related transaction costs) in the international financial markets in the form of Perpetual Bonds with a call option for repayment after five years. Such Notes have a coupon of 7.500% per year, payable quarterly. This amount was forwarded to Odebrecht Overseas Ltd. which settled a perpetual bond of US\$ 200,000 on December 21, 2010 and retained the remaining balance in cash. On November 9, 2011, OFL raised an additional US\$ 250,000 (US\$ 248,438 net of the directly related transaction costs) in the international

Odebrecht Finance Ltd.

Notes to the financial statements at December 31, 2013

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

financial markets in the form of the Perpetual Bonds, under the same conditions as the Notes previously issued.

- (iv)** On April 5, 2011, OFL raised US\$ 500,000 (US\$ 497,363 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2023. Such Notes have a coupon of 6.000% per year, payable semi-annually. The proceeds of this issuance were used to liquidate the Tender Offer on the Bonds due in 2014 and 2017 for US\$ 156,116 and US\$ 287,162 respectively. On January 26, 2012, OFL raised an additional US\$ 300,000 (US\$ 299,097 net of the directly related transaction costs) in the international financial markets in the form of Notes, under the same conditions as the US\$ 500,000 Notes due 2023, previously issued. On November 5, 2012 and on November 21, 2012, OFL redeemed US\$ 37,837 and US\$ 33,130 of these Notes respectively, by means of a Tender Offer using the proceeds of the additional Notes due in 2042, as mentioned below. On April 24, 2013, OFL redeemed US\$ 597,595 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2018 and the Notes due in 2025, as mentioned below. On May 9, 2013 OFL redeemed US\$ 10,957 of these Notes, paid in cash. Additionally, OFL paid US\$ 101,933 as premium of the repurchases in April and May.
- (v)** On June 26, 2012, OFL raised US\$ 600,000 (US\$ 592,055 net of the directly related transaction costs) in the international financial markets in the form of Notes due in June 2022. Such Notes have a coupon of 5,125% per year, payable semi-annually.
- (vi)** On June 26, 2012, OFL raised US\$ 400,000 (US\$ 391,715 net of the directly related transaction costs) in the international financial markets in the form of Notes due in June 2042. Such Notes have a coupon of 7,125% per year, payable semi-annually. On November 1, 2012, OFL raised an additional US\$ 450,000 in the international financial markets, under the same conditions as these Notes previously issued. The proceeds of this issuance were used to partially liquidate the Notes due in April 2020 and April 2023, for US\$ 379,033 and US\$ 70,967, respectively. On December 3, 2013, OFL redeemed US\$ 9,850 of these Notes, paid in cash. Additionally, OFL paid US\$ 352 less than the face value (discount) of the repurchase in December.
- (vii)** On April 25, 2013 OFL raised, R\$ 500,000 – US\$ 249,826 (R\$ 494,598 – US\$ 246,991 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2018. Such Notes have a coupon of 8.250% per year, payable semi-annually. The proceeds of this issuance were used partially to liquidate the Notes in April 2020 and April 2023, for US\$ 35,695 and US\$ 597,595 respectively. The remaining balance will be used to repay certain indebtedness and for general corporate purposes.
- (viii)** On April 25, 2013 OFL raised US\$ 550,000 (US\$ 540,517 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2025. Such Notes have a coupon of 4.375% per year, payable semi-annually. The proceeds of this issuance were used to partly liquidate the notes due in April 2020 and April 2023, of US\$ 35,695 and US\$ 597,595 respectively. The remaining balance will be used to repay certain indebtedness and for general corporate purposes. On June 10, 2013 and June 14, 2013, OFL redeemed US\$ 3,000 of these Notes, paid in cash. Additionally on September 24, 2013 and September 25, 2013, OFL redeemed US\$ 3,150 of these Notes, paid in cash. On December 3, 2013, OFL redeemed US\$ 7,000 of these Notes, paid in cash. Additionally, OFL paid US\$ 1,354 less than the face value (discount) of the repurchases in June, September and December.

All the above Notes are unconditionally and irrevocably guaranteed by CNO and have certain restrictive covenants, which are being complied with by the Company.

Odebrecht Finance Ltd.

Notes to the financial statements at December 31, 2013

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

6 Equity (net capital deficiency)

The Company's authorized capital consists of 1,500,000,000 shares. At December 31, 2013 and 2012, issued capital comprises 165,000,000 shares with a par value of US\$ 1 each.

7 Financial expenses, net

	Years ended December, 31	
	2013	2012
Interest expense on debts	(210,920)	(185,122)
Repurchase premium, net	(105,938)	
Foreign exchange gains	35,786	
Other, net	(33)	(521)
	<u>(281,105)</u>	<u>(185,643)</u>



Independent Auditor's Report on the Financial Statements

To the Board of Directors and Stockholders
Odebrecht Finance Ltd.

We have audited the accompanying financial statements of Odebrecht Finance Ltd. ("Company"), which comprise the balance sheet as at December 31, 2012 and the related statements of operations, changes in net capital deficiency and cash flows for the year then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Odebrecht Finance Ltd. as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

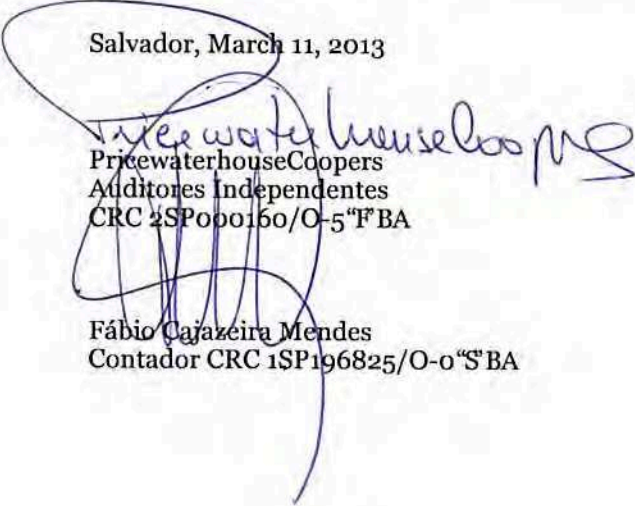


Odebrecht Finance Ltd.

Emphasis of matter

We draw attention to Note 1 to these financial statements, which discloses that Odebrecht Finance Ltd. incurred losses of US\$ 186,976 thousand in the year ended December 31, 2012 and, as of that date, the Company had accumulated losses of US\$ 537,202 thousand and net capital deficiency of US\$ 372,202 thousand, as well as an excess of current liabilities over current assets of US\$ 15,210 thousand. This indicates the need to obtain additional long-term financial resources, as currently guaranteed by its stockholder, to cover the Company's commitments (Note 1). Our opinion is not qualified in respect of this matter.

Salvador, March 11, 2013


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000150/O-5 "F" BA

Fábio Cajazeira Mendes
Contador CRC 1SP196825/O-o "S" BA

Odebrecht Finance Ltd.

Balance Sheets at December 31

In thousands of U.S. dollars

	<u>2012</u>	<u>2011</u>	
Assets			Liabilities and net capital deficiency
Current assets			Current liabilities
Cash and cash equivalents (Note 2.2)	<u>1</u>	<u>1</u>	Debts (Note 5)
	<u>1</u>	<u>1</u>	
Non-current assets			Non-current liabilities
Related parties (Note 4)	<u>2,683,666</u>	<u>1,713,645</u>	Debts (Note 5)
	<u>2,683,666</u>	<u>1,713,645</u>	
			Net capital deficiency (Note 6)
			Subscribed capital
			Accumulated losses
Total assets	<u><u>2,683,667</u></u>	<u><u>1,713,646</u></u>	Total liabilities and net capital deficiency

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

Odebrecht Finance Ltd.

Statements of Operations Years Ended December 31

In thousands of U.S. dollars

	<u>2012</u>	<u>2011</u>
Continued operations		
Operating expenses		
Administrative expenses	(1,333)	(500)
Financial expenses, net (Note 7)	<u>(185,643)</u>	<u>(184,506)</u>
Loss for the year	<u><u>(186,976)</u></u>	<u><u>(185,006)</u></u>

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

Odebrecht Finance Ltd.

Statements of Changes in Net capital deficiency

In thousands of U.S. dollars

	Attributable to the owners		
	Subscribed capital	Accumulated losses	Total
At December 31, 2010	165,000	(165,220)	(220)
Loss for the year		(185,006)	(185,006)
At December 31, 2011	165,000	(350,226)	(185,226)
Loss for the year		(186,976)	(186,976)
At December 31, 2012	165,000	(537,202)	(372,202)

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

Odebrecht Finance Ltd.

Statements of Cash Flows Years Ended December 31

In thousands of U.S. dollars

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Loss for the year	(186,976)	(185,006)
Adjustments:		
Interest expense on debts	180,907	122,696
Net cash used in operating activities	<u>(6,069)</u>	<u>(62,310)</u>
Cash flows from financing activities		
Related parties, net	(970,021)	(121,081)
Debts		
Funds obtained	1,725,563	745,801
Principal paid	(565,213)	(443,278)
Interest paid	(184,260)	(119,145)
Net cash provided by financing activities	<u>6,069</u>	<u>62,297</u>
Decrease in cash and cash equivalents, net		(13)
Cash and cash equivalents in the beginning of the year	<u>1</u>	<u>14</u>
Cash and cash equivalents at the end of the year	<u><u>1</u></u>	<u><u>1</u></u>

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

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2012

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

1 Operations

Odebrecht Finance Ltd. ("OFL" or "the Company") was established on January 30, 2007, to enter into and conduct financial transactions, to participate in insurance and reinsurance companies, and to participate in pension funds. OFL is registered in Grand Cayman - Cayman Islands.

The Company's only stockholder is Odebrecht S.A. ("ODB"), the ultimate parent company of the Odebrecht Organization, incorporated in Salvador, Brazil.

In 2012, the Company incurred losses of US\$ 186,976 and had accumulated losses of US\$ 537,202, resulting in net capital deficiency of US\$ 372,202, as well as excess of current liabilities over current assets of US\$ 15,210. To fund its activities, the Company relies on the operational structure of ODB and its operations depend on the remittance of funds from ODB and from other related parties of the Odebrecht Organization, with which the Company has intercompany receivables of US\$ 2,683,666 (December 2011 - US\$ 1,713,645) (Note 4).

In addition, Construtora Norberto Odebrecht S.A. ("CNO"), a related party, guarantees all the Company's debts with third parties and ODB is committed to provide the necessary level of financial support to the Company to enable it to pay its debts.

These financial statements were approved by the Company's Executive Board on March 11, 2013.

2 Summary of Significant Accounting Policies

The main accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities measured at fair value.

These financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC).

There are no new pronouncements or interpretations of CPC's effective as from 2012 that could have a significant impact on the Company's financial statements.

Considering that there are no other items of comprehensive income in the years ended December 31, 2012 and 2011, the Company is not presenting the statement of comprehensive income in these financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2012

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

2.3 Financial assets

Classification and measurement

The Company classifies its financial assets in the category of loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and comprise 'cash and cash equivalents' in the balance sheet. At December 31, 2012 and 2011, the amount of cash and cash equivalents is US\$ 1.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the statements of operations.

2.4 Debts

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

2.5 Functional currency

As required by CPC 02 "The Effects of Changes in Foreign Exchange Rates", management performed an assessment of the Company's functional currency, taking into consideration all functional currency indicators described under CPC 02, including the level of autonomy of the Company in relation to the other Odebrecht Group companies.

As the Company's primary purpose is to provide funding to foreign Odebrecht Group companies through the issuance of U.S. dollar denominated debt and most of the Company's assets and liabilities are denominated in U.S. dollars, management has concluded that the U.S. dollar is the Company's functional currency.

2.6 Income tax

The Company is not subject to income tax in the Cayman Islands.

3 Financial risk management

The Company carries out financial transactions, involving (a) Cash and cash equivalents and (b) Debt, in order to manage the availability of funds for its operations, which are primarily related to funding the activities of the Odebrecht Group companies.

Risk management follows the policies approved by the Board of Directors. The purpose of risk management is to protect the cash flows of the Company.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2012

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

3.1 Liquidity risk

This is the risk that the Company lacks sufficient liquid funds to meet its financial commitments, due to the mismatch of terms or volumes of estimated receipts and payments.

The Company relies on the operational structure of ODB and its operations depend on the remittance of funds from ODB and from other related parties of the Odebrecht Organization (Note 1).

To manage liquidity of cash in local and foreign currencies, assumptions of future disbursements and receipts are determined, and monitored by the treasury department.

3.2 Derivative financial instruments

During the years ended December 31, 2012 and 2011, the Company did not enter into contracts which might be considered to be derivative financial instruments.

3.3 Interest risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company is the vehicle for raising funds in the international market for the Odebrecht Organization. The Company's debts are all fixed interest rate borrowings, obtained mainly in the international financial market, in which the fixed rates are lower than the rates practiced in the countries where the Odebrecht Organization companies operate.

However, due to differences of interest rates and charges on financial transactions, including the funds raised in the international market and the remittances to related parties, the Company incurred losses in the year ended December 31, 2012 of US\$ 186,976 (December 31, 2011 - US\$ 185,006).

The Company has guarantee from CNO on its financial obligations which may be used, if necessary, to meet its commitments and cash requirements.

Management monitors maturity mismatches in the Company's positions on a monthly basis and manages them within established limits, changing positions promptly as market outlooks change.

4 Related parties

	Non-current assets	
	2012	2011
ODB	473,429	523,610
Odebrecht Overseas Ltd.	2,209,950	1,189,749
ONL Investments BV	287	286
	<u>2,683,666</u>	<u>1,713,645</u>

The main balances with the organization companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the organization companies.

The operations consist of lending of funds, assignments of credits and assumptions of obligations, and are not subject to financial charges.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2012

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

5 Debts

	Currency	Interest rates	2012		2011	
			Principal plus interests including transaction costs	Interest rates	Principal plus interests including transaction costs	Interest rates
BOND 2017 (i)	US\$			Coupon of 7.500% p.a.	111,180	
BOND 2014 (ii)	US\$	Coupon of 9.625% p.a.	41,117	Coupon of 9.625% p.a.	40,322	
BOND 2020 (iii)	US\$	Coupon of 7.000% p.a.	107,263	Coupon of 7.000% p.a.	495,903	
BOND Perpetuo (iv)	US\$	Coupon of 7.500% p.a.	748,514	Coupon of 7.500% p.a.	746,489	
BOND 2023 (v)	US\$	Coupon of 6.000% p.a.	732,277	Coupon of 6.000% p.a.	504,978	
BOND 2022 (vi)	US\$	Coupon of 5.125% p.a.	592,061			
BOND 2042 (vii)	US\$	Coupon of 7.125% p.a.	834,637			
			<u>3,055,869</u>		<u>1,898,872</u>	
Less: current liabilities			<u>15,211</u>		<u>19,685</u>	
Long-term liabilities			<u>3,040,658</u>		<u>1,879,187</u>	

Non-current amounts mature as follows:

	2012	2011
2014	39,043	39,043
2015	745,123	746,193
2016 and thereafter	<u>2,256,492</u>	<u>1,093,951</u>
	<u>3,040,658</u>	<u>1,879,187</u>

The fair value of the non-current loans are the same as their book value, and are based on discounted cash flows as shown on the table below:

Long-term maturities

	2012		2011	
	Book value	Fair value	Book value	Fair value
Local currency (US\$)	<u>3,040,658</u>	<u>3,040,658</u>	<u>1,879,187</u>	<u>1,879,187</u>
	<u>3,040,658</u>	<u>3,040,658</u>	<u>1,879,187</u>	<u>1,879,187</u>

- (i) On October 18, 2007, OFL raised US\$ 200,000 (US\$ 196,312 net of the directly related transaction costs) in the international financial markets in the form of Notes due in October 2017. Such Notes have a coupon of 7.500% per year, payable semi-annually, and provided OFL with a call option for early repayment on October 18, 2012. In addition, on April 4, 2008, OFL raised an additional US\$ 200,000 (US\$ 199,455 net of the directly related transaction costs), under the same conditions as the Notes previously issued. On April 5th, 2011, OFL redeemed US\$ 287,162 of these Notes, by means of a Tender Offer. Additionally on October 18, 2012, OFL took the call option mentioned above and redeemed all of the remaining balances in the amount of US\$ 112,838 of principal and US\$ 4,231 of interest.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2012

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

- (ii)** On April 9, 2009, OFL raised US\$ 200,000 (US\$ 197,520 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2014. Such Notes have a coupon of 9.625% per year, payable semi-annually. On April 5, 2011, OFL redeemed US\$ 156,116 of these Notes, by means of a Tender Offer.
- (iii)** On October 21, 2009, OFL raised US\$ 500,000 (US\$ 488,994 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2020. Such Notes have a coupon of 7.000% per year, payable semi-annually, and provided OFL with a call option for early repayment on April 21, 2015. On November 5, 2012, OFL redeemed US\$ 379,033 of these Notes, by means of a Tender Offer using the proceeds of the additional Notes due in 2042, as mentioned below. On November 23, 2012, OFL redeemed an additional value of US\$ 2,375 paid in cash.
- (iv)** On September 14, 2010, OFL raised US\$ 500,000 (US\$ 494,383 net of the directly related transaction costs) in the international financial markets in the form of Perpetual Bonds with a call option for repayment after five years. Such Notes have a coupon of 7.500% per year, payable quarterly. This amount was forwarded to Odebrecht Overseas Ltd. which settled a perpetual bond of US\$ 200,000 on December 21, 2010 and retained the remaining balance in cash. On November 9, 2011, OFL raised an additional US\$ 250,000 (US\$ 248,438 net of the directly related transaction costs) in the international financial markets in the form of the Perpetual Bonds, under the same conditions as the Notes previously issued.
- (v)** On April 5, 2011, OFL raised US\$ 500,000 (US\$ 497,363 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2023. Such Notes have a coupon of 6.000% per year, payable semi-annually. The proceeds of this issuance were used to liquidate the Tender Offer on the Bonds due in 2014 and 2017 for US\$ 156,116 and US\$ 287,162 respectively, as described above. On January 26, 2012, OFL raised an additional US\$ 300,000 (US\$ 299,097 net of the directly related transaction costs) in the international financial markets in the form of Notes, under the same conditions as the US\$ 500,000 Notes due 2023, previously issued. On November 5, 2012 and on November 21, 2012, OFL redeemed US\$ 37,837 and US\$ 33,130 of these Notes respectively, by means of a Tender Offer using the proceeds of the additional Notes due in 2042, as mentioned below.
- (vi)** On June 26, 2012, OFL raised US\$ 600,000 (US\$ 592,055 net of the directly related transaction costs) in the international financial markets in the form of Notes due in June 2022. Such Notes have a coupon of 5,125% per year, payable semi-annually.
- (vii)** On June 26, 2012, OFL raised US\$ 400,000 (US\$ 391,715 net of the directly related transaction costs) in the international financial markets in the form of Notes due in June 2042. Such Notes have a coupon of 7,125% per year, payable semi-annually. On November 1, 2012, OFL raised an additional US\$ 450,000 in the international financial markets, under the same conditions as these Notes previously issued. The proceeds of this issuance were used to partially liquidate the Notes due in April 2020 and April 2023, for US\$ 379,033 and US\$ 70,967, respectively.

All the above Notes are unconditionally and irrevocably guaranteed by CNO and have certain restrictive covenants, which are being complied with by the Company.

6 Equity (net capital deficiency)

The Company's authorized capital consists of 1,500,000,000 shares. At December 31, 2012 and 2011, issued capital comprises 165,000,000 shares with a par value of US\$ 1 each.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2012

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

7 Financial expenses, net

	Years ended December 31,	
	2012	2011
Interest expense on debts	(185,122)	(184,222)
Other, net	(521)	(284)
	(185,643)	(184,506)

* * *



Report on the Review of Condensed Interim Consolidated Financial Statements at March 31, 2014

To the Board of Directors and Stockholders
Construtora Norberto Odebrecht S.A.

Introduction

We have reviewed the accompanying condensed interim consolidated balance sheet of Construtora Norberto Odebrecht S.A. and its subsidiaries as at March 31, 2014 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the quarter then ended.

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with the accounting standard CPC 21 - Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC). Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

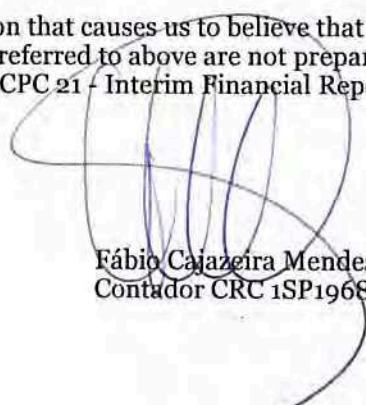
We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements referred to above are not prepared, in all material respects, in accordance with the accounting standard CPC 21 - Interim Financial Reporting.

Salvador, May 9, 2014


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ


Fábio Cajazeira Mendes
Contador CRC 1SP196825/O-o "S" RJ

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Condensed Consolidated Balance Sheets

In thousands of reais and U.S. dollars

	March 31,		December 31,		
	2014		2013		
	US\$		R\$		
Assets					Liabilities and equity
Current assets					Current liabilities
Cash and cash equivalents (Note 5)	3,020,670	6,835,776	8,904,704		Debts (Note 11)
Financial investments	397	899	931		Suppliers and subcontractors
Trade accounts receivable (Note 6)	4,046,342	9,156,873	8,092,954		Taxes, rates, salaries and payroll charges
Advances to suppliers, subcontractors and others	817,963	1,851,051	1,718,291		Provisions for tax, labor and civil contingencies (Note 19 (i))
Taxes recoverable (Note 7)	293,681	664,601	853,489		Advances from customers
Inventories (Note 8)	552,360	1,249,990	1,352,199		Current accounts with consortium members
Current accounts with consortium members	308,573	698,300	724,518		Other accounts payable
Prepaid expenses	279,970	633,571	648,725		
Other accounts receivable	308,939	699,128	788,704		
	9,628,895	21,790,189	23,084,515		
Non-current assets					Non-current liabilities
Long-term receivables					Odebrecht Organization companies (Note 20)
Odebrecht Organization companies (Note 20)	1,042,298	2,358,720	1,496,811		Debts (Note 11)
Trade accounts receivable (Note 6)	340,891	771,437	875,184		Advances from customers
Deferred income tax and social contribution (Note 12 (a))	180,680	408,878	421,317		Deferred income tax and social contribution (Note 12 (a))
Taxes recoverable (Note 7)	8,736	19,769	20,492		Suppliers and subcontractors
Other accounts receivable	174,439	394,755	401,184		Provisions for tax, labor and civil contingencies (Note 19 (i))
	1,747,044	3,953,559	3,214,988		Taxes payable in installments (Note 19 (i))
					Other accounts payable
Investments					
Associated companies (Note 9 (a))	748,612	1,694,109	1,567,540		Equity
Others	16,167	36,585	46,839		Capital (Note 13 (a))
Property and equipment (Note 10)	1,016,493	2,300,324	2,286,517		Revenue reserves (Note 13 (b))
Intangible assets	23,707	53,648	59,417		Carrying value adjustments (Note 13 (c))
	3,552,023	8,038,225	7,175,301		Retained earnings
					Non-controlling interest
Total assets	13,180,918	29,828,414	30,259,816		Total liabilities and equity

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Condensed Consolidated Statement of Income Three-month period ended March 31

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

	2014		2013
	US\$		R\$
Continuing operations			
Net service and sales revenues (Note 15)	3,174,787	7,184,542	5,770,600
Cost of services rendered	(2,667,574)	(6,036,719)	(4,920,792)
Gross profit	507,213	1,147,823	849,808
Operating expenses			
General and administrative expenses	(259,572)	(587,412)	(364,942)
Management remuneration	(1,710)	(3,870)	(5,499)
Operating profit	245,931	556,541	479,367
Results from investments			
Equity in the results of investees	88,683	200,690	83,276
Financial result			
Financial result, net (Note 16)	64,274	145,452	438,113
Other income			
Other income, net	17,425	39,433	12,585
Income before social contribution and income tax	416,313	942,116	1,013,341
Social contribution (Note 17)	(9,029)	(20,432)	(1,362)
Income tax (Note 17)	(104,343)	(236,128)	(70,360)
Net income for the period	<u>302,941</u>	<u>685,556</u>	<u>941,619</u>
Attributable to			
Company's stockholders	293,780	664,825	928,875
Non-controlling interest	9,161	20,731	12,744
	<u>302,941</u>	<u>685,556</u>	<u>941,619</u>
Basic and diluted net income per share from continuing operations attributable to stockholders at the end of the period (in R\$ and US\$ per share) (Note 14)	<u>1.038</u>	<u>2.348</u>	<u>3.293</u>

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

**Construtora Norberto Odebrecht S.A.
and its Subsidiaries**

**Condensed Consolidated Statement of Comprehensive Income
Three-month period ended March 31**

In thousands of reais and U.S. dollars

	2014		2013
	US\$		R\$
Net income for the period	302,941	685,556	941,619
Other comprehensive income:			
Items to be subsequently reclassified to profit:			
Carrying value adjustment (Note 13 (c))	24,840	56,213	(523)
Exchange variation on foreign investments (Note 13 (c))	(99,970)	(226,232)	(356,908)
Total comprehensive income for the period	227,811	515,537	584,188
Attributable to:			
Company's Stockholders	218,650	494,806	571,444
Non-controlling interest	9,161	20,731	12,744
	227,811	515,537	584,188

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Condensed Statement of Changes in Equity

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

	Attributable to Company's stockholders							R e
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase	Carrying value adjustment	
At December 31, 2013	959,017	36,037	6,807	221,278	805,730	773,776	146,170	
Total comprehensive income for the period								
Net income for the period - US\$ 1.038 per share								29
Other comprehensive income (Note 13 (c))							(75,130)	
Total comprehensive income for the period							(75,130)	2
Capital transactions with stockholders								
Other transactions with non-controlling interests								
Other adjustment with investees								
At March 31, 2014	959,017	36,037	6,807	221,278	805,730	773,776	71,040	2

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Condensed Statement of Changes in Equity

In thousands of reais, unless otherwise indicated

	Attributable to Company's stockholders							Carrying value adjustment	Re e
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Revenue reserves			
						Future capital increase			
At December 31, 2013	2,170,256	81,552	15,406	500,752	1,823,367	1,751,054	330,782		
Total comprehensive income for the period									
Net income for the period - R\$ 2.348 per share								6	
Other comprehensive income (Note 13 (c))							(170,019)		
Total comprehensive income for the period							(170,019)	6	
Capital transactions with stockholders									
Other transaction with non-controlling interests									
Other adjustment with investees									
At March 31, 2014	2,170,256	81,552	15,406	500,752	1,823,367	1,751,054	160,763	6	

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Condensed Statement of Changes in Equity

In thousands of reais, unless otherwise indicated

	Attributable to Company's stockholders							R e
	Revenue reserves						Carrying value adjustment	
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase		
At December 31, 2012	2,086,905	89,545	15,406	284,865	1,206,887	1,751,054	455,131	
Total comprehensive income for the period								
Net income for the period - R\$ 3.293 per share								92
Other comprehensive income (Note 13 (c))							(357,431)	
Total comprehensive income for the period							(357,431)	9
Capital transactions with stockholders								
Other transactions with non-controlling interests								
At March 31, 2013	2,086,905	89,545	15,406	284,865	1,206,887	1,751,054	97,700	9

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Condensed Consolidated Statement of Cash Flows Three-month period ended March 31

In thousand of reais and U.S. dollars

	US\$	2014	2013
	US\$		R\$
Cash flows from operating activities			
Profit before income tax and social contribution	416,313	942,116	1,013,341
Adjustments:			
Equity in results of investees	(88,683)	(200,690)	(83,276)
Variation in construction contracts revenue	(69,310)	(156,849)	127,086
Depreciation and amortization	65,206	147,561	87,521
Residual value of reduction in property and equipment and project expenses	61,585	139,366	120,078
Fair value of derivative financial instruments in statement of income	(10,711)	(24,238)	2,536
Interest and monetary and foreign exchange variations, net	(44,898)	(101,605)	4,636
Cash from operations	329,502	745,661	1,271,922
Changes in assets and liabilities:			
Financial investments			93,337
Trade accounts receivable	(582,214)	(1,317,550)	(203,252)
Inventories	33,025	74,735	(67,291)
Taxes recoverable	71,438	161,665	(80,064)
Prepaid expenses and other assets	(94,294)	(213,388)	41,119
Suppliers and subcontractors	(5,772)	(13,061)	(371,673)
Advances from customers	132,056	298,843	(1,016,767)
Taxes, rates, salaries and payroll charges	(260,206)	(588,847)	(178,393)
Other liabilities	62,157	140,662	82,946
Net cash used in operating activities	(314,308)	(711,280)	(428,116)
Cash flows from investing activities			
Acquisitions of investments	(3,973)	(8,991)	(8,125)
Acquisitions of property and equipment and intangible assets	(135,012)	(305,532)	(319,532)
Net cash used in investing activities	(138,985)	(314,523)	(327,657)
Cash flows from financing activities			
Related parties			
Repayment	(489,342)	(1,107,381)	(885,614)
New loans	155,695	352,337	886,066
Short and long-term debt, net			
New loans	186,831	422,799	551,137
Repayment - principal	(198,959)	(450,244)	(309,919)
Payment - interest	(3,196)	(7,232)	(14,581)
Net cash generated from (used in) financing activities	(348,971)	(789,721)	227,089
Effect of changes in the exchange rate on cash and cash equivalents	(112,833)	(255,342)	(566,527)
Cash and cash equivalents of subsidiaries included in and/(or) excluded from the consolidation, net	856	1,938	
Decrease in cash and cash equivalents, net	(914,241)	(2,068,928)	(1,095,211)
Cash and cash equivalents at the beginning of the period	3,934,911	8,904,704	6,649,321
Cash and cash equivalents at the end of the period	3,020,670	6,835,776	5,554,110

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

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

1 Operations

Construtora Norberto Odebrecht S.A. (“CNO” or “Company”) is part of the Odebrecht Organization (“Organization”) and has its legal headquarters in Rio de Janeiro and administrative headquarters in São Paulo. The main operations of the Company include the planning and execution of engineering projects of all types and specialties as contractor, administrator or other roles; technical installations of civil engineering, industrial assembly, consulting, planning, assistance and technical studies; rendering of administrative or technical services; investments in other companies to enhance development, stability and profitability, and other related activities, including import and export, rental and purchase and sale of equipment and transportation.

Through its branches, the Company operates directly in the following countries: Venezuela, Angola, Ecuador, Dominican Republic, Colombia, Mexico, United Arab Emirates, Bolivia, Argentina, Peru, Costa Rica, Panama, Paraguay, Guatemala and Ghana. In addition to these countries, the Company operates, through its direct and indirect subsidiaries in: Portugal, United States of America, England, Chile, Uruguay, Spain, Libya, Liberia, Austria, Mozambique, Cuba and Guinea.

In the heavy civil construction segment, the Company and its main indirect subsidiaries in Brazil, CBPO Engenharia Ltda. (“CBPO”) and Construtora Norberto Odebrecht Brasil S.A. (“CNO Brasil”), develop construction projects involving highways, railways, hydroelectric, thermoelectric and nuclear plants, port facilities, dams, and other industrial and infrastructure projects.

The main projects currently in progress in Brazil are: Submarine Project and Rio Barra Subway Project in the State of Rio de Janeiro, Belo Monte hydroelectric plant in the State of Pará and the construction of the Enseada do Paraguaçu shipyard in the State of Bahia, in addition to various contracts for the rendering of services in oil platforms, petrochemical plants and urban mobility projects, including those related to the 2016 Olympic Games. Overseas, the Company has projects in many countries and the main ones are located in Angola (Hydroelectric Facilities in Laúca and the SONAREF project, in addition to various transportation and infrastructure construction works), the United States (Grand Parkway highway), Mexico (XXI ethylene plant), Panama (Tocumen international airport), Peru (new roads in Lima and Chaglla hydroelectric plant) and Venezuela (El Dilúvio irrigation in Anzoátegui, Nigale bridge and Guarenas Guatire subway).

In the process of obtaining and performing contracts in Brazil and overseas, the Company and its subsidiaries use surety bonds obtained with the support of OCS - Odebrecht Administradora e Corretora de Seguros Ltda. (“OCS”), which is part of the Odebrecht Organization, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market (Note 18).

These condensed interim consolidated financial statements were approved by the Company's Executive Board on May 7, 2014.

(i) Corporate events

On February 13, 2014, the subsidiary CNO Brasil entered into a sales agreement with Odebrecht Realizações Imobiliárias e Participações S.A. (“OR”) to acquire the totality shares of Bairro Novo Empreendimentos Imobiliários S.A. (“Bairro Novo”), by the book value as of January 31, 2014, in the amount of R\$ 78,182 – US\$ 34,548, which is recorded in “Other accounts payable” in non-current liabilities.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

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

(ii) Financial position and ratings (not audited)

The Company's credit has been monitored and analyzed by the main credit rating agencies for many years and, since its first rating, the Company has obtained consecutive upgrades on both the local and global scales.

In December 2009, the rating agency Moody's started to cover the Company, and assigned a Baa3 investment grade rating on the global scale and Aa1.br on the Brazilian national scale. In May 2012, the rating agency Standard & Poor's assigned a BBB- rating on the global scale and br AAA on the national scale. In September 2013, the rating agency Fitch Ratings assigned a BBB investment grade rating on the global scale and AAA on the Brazilian national scale. In May 2014, the rating agency Standard & Poor's upgraded Company's Credit Risk from BBB- to BBB on the global scale, maintaining the br AAA on the national scale.

CNO's corporate credit ratings assigned by the three rating agencies that monitor the Company are as follows:

	<u>Moody's</u>	<u>Standard&Poors</u>	<u>Fitch Ratings</u>
National Scale – Long term	Aa1.br	br AAA	AAA(bra)
Global Scale – Local and Foreign currency	Baa3	BBB	BBB

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

These condensed interim consolidated financial statements (the "interim financial statements") should be read in conjunction with the Company's audited financial statements at December 31, 2013 and for the year then ended, which were prepared and presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC").

The preparation of interim financial statements requires the use of certain critical accounting estimates. It also requires management of the Company and its subsidiaries to exercise judgment in the process of applying their accounting policies. There were no significant changes in the assumptions and judgments applied by management in relation to the estimates used for the preparation of these interim financial statements as compared to the audited financial statements at December 31, 2013.

(a) Interim financial statements

The consolidated interim financial statements have been prepared and are being presented in accordance with the accounting pronouncement CPC 21 (R1) - "Interim Financial Reporting", which establishes the minimum contents of interim financial statements.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

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

2.2 Accounting practices

There were no significant changes in the accounting practices used in the preparation of these interim financial statements in relation to those applied in the financial statements for the year ended December 31, 2013.

2.3 Consolidated companies

The interim financial statements include those of the Company and its subsidiaries in which the following direct and indirect interest is held as of March 31, 2014 and December 31, 2013:

	Country	Direct and indirect holding (%)	
		March 31, 2014	December 31, 2013
Auto Pista Del Coral S.A.	Dominican Republic	100.00	100.00
Atlantic Charter LLC	USA	100.00	100.00
Belgrávia	Brazil	100.00	100.00
Odebrecht Portugal S.A. ("ODBPORT")	Portugal	100.00	100.00
Brazilian Olex Importação e Exportação S.A. Shanghai Representative Office	China	100.00	100.00
CBPO	Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina	Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile	Chile	100.00	100.00
CBPO Engenharia Ltda. - Colombia	Colombia	100.00	100.00
CBPO Engenharia Ltda. - Peru	Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Engenharia Ltda. - Panamá	Panamá	100.00	100.00
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Ltd.	Cayman Islands	100.00	100.00
Centaurus Investments Limited	Cayman Islands	100.00	100.00
CODEPA - Companhia de Desenvolvimento e Participações S.A.	Brazil	100.00	100.00
Companhia de Obras e Infra Estrutura	Brazil	100.00	100.00
Conirsa S.A.	Peru	100.00	100.00
Construtora Norberto Odebrecht de Colombia Ltda.	Colombia	100.00	100.00
Construtora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Construtora Odebrecht Chile S.A.	Chile	100.00	100.00
Construtora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
Construtora Norberto Odebrecht Bolivia S.A.	Bolivia	100.00	100.00
Construtora Norberto Odebrecht de Panamá S.A.	Panamá	100.00	100.00
Construtora Norberto Odebrecht S.A. - Angola	Angola	100.00	100.00
Construtora Norberto Odebrecht S.A. - Argelia	Argelia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Argentina	Argentina	100.00	100.00
Construtora Norberto Odebrecht S.A. - Bolivia	Bolivia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Colombia	Colombia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Construtora Norberto Odebrecht S.A. - Emirados Arabes	Arab Emirates	100.00	100.00
Construtora Norberto Odebrecht S.A. - Ecuador	Ecuador	100.00	100.00
Construtora Norberto Odebrecht S.A. - Espanha	Spain	100.00	100.00
Construtora Norberto Odebrecht S.A. - Guatemala	Guatemala	100.00	100.00
Construtora Norberto Odebrecht S.A. - Honduras	Honduras	100.00	100.00
Construtora Norberto Odebrecht S.A. - Mexico	Mexico	100.00	100.00
Construtora Norberto Odebrecht S.A. - Mozambique	Mozambique	100.00	100.00
Construtora Norberto Odebrecht S.A. - Panamá	Panamá	100.00	100.00
Construtora Norberto Odebrecht S.A. - Paraguai	Paraguai	100.00	100.00
Construtora Norberto Odebrecht S.A. - Peru	Peru	100.00	100.00
Construtora Norberto Odebrecht S.A. - República Dominicana	Dominican Republic	100.00	100.00
Construtora Norberto Odebrecht S.A. - Uruguai	Uruguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Dhawahhi Alm adeena Construction LLC	USA	100.00	100.00
Dominicana Ingeniería y Construcción S.A.	Dominican Republic	100.00	100.00
Energipar Participações S.A.	Brazil	100.00	100.00
Libyan Brazilian Construction and Development Company	Libya	60.00	60.00
Multitrade S.A.	Brazil	100.00	100.00
Odebrecht Global Sourcing, Inc.	USA	100.00	100.00
Odebrecht Services GMBH	Austria	100.00	100.00
Odebrecht Guinea	Guinea Conakry	100.00	100.00
CBPO Overseas Sucursal Republica Dominicana	Dominican Republic	100.00	100.00
Odebrecht Industrial Engineering America	USA	100.00	100.00
OEP	Brazil	100.00	100.00

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	Country	Direct and indirect holding (%)	
		March 31, 2014	December 31, 2013
Odebrecht Angola Projectos e Serviços Ltda.	Angola	100.00	100.00
Odebrecht Angola - Construção e Projectos de Energia, Limitada ("EENE") (a)	Angola	51.00	51.00
Odebrecht de Argentina S.A.	Argentina	100.00	100.00
Odebrecht Solutions Inc.	Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.	Malta	100.00	100.00
Odebrecht Construction, Inc. ("OCI")	USA	100.00	100.00
Odebrecht Engenharia e Construção S.A.	Brazil	100.00	100.00
Odebrecht Engenharia e Construção Moçambique Ltda.	Moçambique	100.00	100.00
Odebrecht Engineering & Construction Ltd.	Malta	100.00	100.00
Odebrecht Solution Malta Ltd.	Malta	100.00	100.00
Odebrecht Holding GMBH	Austria	100.00	100.00
Odebrecht Ingeniería y Construcción de España, S.L.	Spain	100.00	100.00
Odebrecht Ingeniería y Construcción de Mexico, S de RL de CV.	Mexico	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Rodoviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Mining Services, Inc. ("OMSI")	Cayman Islands	100.00	100.00
Odebrecht Services Limited	England	100.00	100.00
Odebrecht Overseas Ltd ("OOL")	Bahamas	100.00	100.00
Odebrecht Peru Ingeniería y Construcción S.A.C. ("OPIC")	Peru	100.00	100.00
Conga Earthworks Team S.R.L.	Peru		45.00
Odebrecht Peru Operaciones Y Servicios S.A.C.	Peru	100.00	100.00
Odebrecht Industrial Engineering B.V.	Netherlands	100.00	100.00
Odebrecht Development Inc.	USA	100.00	100.00
Odebrecht Paraguay S.A.	Paraguay	100.00	100.00
OLEX Importação e Exportação S.A. ("OLEX")	Brazil	100.00	100.00
OSEL - Odebrecht Serviços no Exterior Ltd. ("OSEL")	Cayman Islands	100.00	100.00
CNO Brasil	Brazil	100.00	100.00
Tenenge (UK) Ltd.	England	100.00	100.00
TOC	Cayman Islands	100.00	100.00
MACOL	Panama	100.00	100.00
Bairro Novo Empreendimentos Imobiliários S.A. (a)	Brazil	100.00	
Construtora Norberto Odebrecht de Guatemala S.A.	Guatemala	100.00	100.00

(a) Investment acquired by CNO Brasil on February 13, 2014, as mentioned in Note 1 (i).

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Information on the main direct and indirect subsidiaries and branches included in the consolidation:

	Number of shares or quotas directly or indirectly held		Stockholders' Equity (Net capital deficiency)		
	March 31, 2014	December 31, 2013	March 31, 2014		December 31, 2013
			US\$	R\$	
ODBPORT (former name of BPC)	7,399,859	7,399,859	117,168	265,152	287,153
CBPO	2,321,413	2,321,413	460,576	1,042,283	1,024,831
OCI	86,806,032	86,806,032	131,977	298,663	310,412
OOL	165,213,213	165,213,213	221,466	501,177	500,581
OPIC	12,428,019	12,428,019	213,516	483,187	493,196
OSEL	100,000,000	100,000,000	(22,369)	(50,622)	(71,173)
CNO Brasil	915,091,777	915,091,777	207,035	468,520	488,834
Construtora Norberto Odebrecht S.A. - Venezuela (Branch)			491,874	1,113,111	1,015,260
Construtora Norberto Odebrecht S.A. - Angola (Branch)			14,541	32,906	28,822
Construtora Norberto Odebrecht S.A. - Peru (Branch)			98,249	222,338	155,345
Construtora Norberto Odebrecht S.A. - Argentina (Branch)			129,586	293,252	300,172

In the financial statements, the Company's interests in the subsidiaries' net worth and results, balances of intercompany expenses were eliminated.

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2.4 Basis of translation

The accounting records are maintained in Brazilian reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the March 31, 2014 local currency financial statements, using the exchange rate prevailing on that date of R\$ 2.2630 to US\$ 1.00. This translation should not be construed as representing that the amounts in Brazilian reais represent, or have been, or could be, converted into U.S. dollars.

3 Financial Risk Management

3.1 Financial risk factors

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

Risk management is carried out under policies approved by the Board of Directors. The purpose of risk management is to protect the cash flows of the Company and its subsidiaries and reduce the threats to the financing of their operating working capital and investment programs.

(a) Foreign exchange risk

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

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

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

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

The Company and its subsidiaries manage their exposure to foreign exchange rates through a mix of cash flows in foreign currencies, foreign currency denominated debt, investment in foreign currencies and derivatives. The policy of the Company and its subsidiaries to manage foreign exchange risks provides for maximum and minimum limits that must be followed and which are constantly monitored by management.

(b) Interest rate risk

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

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

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

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

(c) Price index risk

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

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

(d) Credit risk

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

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

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

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

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

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

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

At March 31, 2014, the Company and its subsidiaries had overdue accounts receivable amounting to R\$ 325,620 – US\$ 143,889 (December 31, 2013 – R\$ 325,620) for services rendered to Brazilian government entities, mainly state and municipal.

Historically, the Company and its subsidiaries have collected the amounts owed by these entities, including those overdue for one year or more. The collection of these overdue amounts occurs through payment or the receipt of government bonds or other assets.

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

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

(e) Liquidity risk

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

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

3.2 Capital management

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

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	US\$	March 31, 2014	December 31, 2013
	US\$		R\$
Total debts (Note 11)	214,968	486,474	519,299
Less: cash and cash equivalents (Note 5)	(3,020,670)	(6,835,776)	(8,904,704)
Net debt	(2,805,702)	(6,349,302)	(8,385,405)
Total equity	3,168,174	7,169,579	6,703,324
Total capital	362,472	820,277	(1,682,081)
Index of financial gearing - %	N/A	N/A	N/A

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

3.3 Derivative financial instruments

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

The Financial Policy of the Company and its subsidiaries provides for a continuous short-term hedging program for foreign exchange rate risk arising from their operations and financial items. The other market risks are addressed on a case-by-case basis for each operation.

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

At March 31, 2014, the Company and its subsidiaries had derivative contracts amounting to R\$ 1,267,247 – US\$ 559,987 (December 31, 2013 – R\$ 1,916,401).

(i) Use of other instruments

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

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

The Company and its subsidiaries do not operate derivative financial instruments for speculative purposes. At March 31, 2014 and December 31, 2013, the Company and its subsidiaries had no transactions of this type.

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(ii) Other information on derivative financial instruments

All derivative financial instruments held at March 31, 2014 and December 31, 2013 were contracted at an over-the-counter market with large financial counterparties under global derivative contracts in Brazil or abroad.

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

The fair value of derivatives is obtained:

- from public sources when the derivative is traded on exchanges;
- through discounted cash flow models when the derivative is a forward purchase or sale or a swap contract; and
- through valuation models of options contracts, such as the Black-Scholes model when the derivative has the characteristics of an option.

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

At March 31, 2014 and December 31, 2013, the Company and its subsidiaries did not have derivatives that required non-observable assumptions to calculate their fair value.

The table below shows the transactions with derivatives of the Company and its subsidiaries existing at March 31, 2014. The “Changes in fair value” column shows the changes in the fair value of derivatives for the three-month period ended March 31, 2014; the “Settlements in 2014” column shows the effect recognized in finance income and costs associated with the settlements of derivatives for the three-month period ended March 31, 2014. The “Total effect on profit or loss” column represents the effects of the changes in the value of derivatives (changes in the fair value and settlements) on the Company’s statement of income.

Instrument	Notional		First settlement date	Maturity	Fair value at March 31, 2014		Fair value at December 31, 2013	Changes in fair value	Settlements in the period 2014		Total effect on the result	
	US\$	R\$			US\$	R\$			US\$	R\$	US\$	R\$
NDF USDBRL	111,099	251,416	Jan/14	Oct/16	996	2,255	289	1,966	(714)	(1,616)	155	350
NDF USDPEN			Jan/14	Feb/14			(38)	38	(17)	(38)		
DF USDPEN	5,293	11,978	Jan/14	Jul/14	(479)	(1,085)	(2,846)	1,761	(648)	(1,466)	130	295
NDF USDJPY	28,270	63,974	Jul/14	Dec-15	(6,067)	(13,730)	(15,238)	1,508			666	1,508
NDF EURUSD			Jan/14	Mar-14			(101)	101	(148)	(335)	(103)	(234)
DF EURUSD	1,408	3,186	Jan/14	Jun/14	41	93	129	(36)	8	19	(8)	(17)
Swaps LIBOR	192,569	435,784	Jan/14	Nov/19	(5,185)	(11,734)	(12,972)	1,238	(756)	(1,710)	(209)	(472)
Swaps USDBRL	220,946	500,000	Apr/14	Apr/18	(52,384)	(118,544)	(141,340)	22,796			10,073	22,796
Swaps USD x DI			Jan/14	Jan/14			675	(675)	303	685	4	10
Options EURUSD	402	909	Jun/14	Jun/14	(1)	(2)	(4)	2			1	2
	559,987	1,267,247			(63,079)	(142,747)	(171,446)	28,699	(1,972)	(4,461)	10,709	24,238

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At March 31, 2014, the fair value of transactions with derivative financial instruments whose balance is payable, amounting to R\$ 145,095 – US\$ 64,116 (December 31, 2013 - R\$ 159,067), is recorded as “Other accounts payable” in current liabilities, and of transactions with derivative financial instruments whose balance is receivable, amounting to R\$ 2,348 – US\$ 1,037 (December 31, 2013 – R\$ 6,581), is recorded as “Other accounts receivable” in current assets.

3.4 Sensitivity analysis

The derivative financial instruments may be subject to changes in their fair value as a result of the variation in foreign exchange rates, interest rates, price indexes and other variables. The sensitivity of the derivative financial instruments to these variables is presented below:

(a) Selection of risks

Management selected the six market risks that may most affect the value of the derivative financial instruments held by the Company and its subsidiaries, namely: a) Brazilian real-U.S. dollar exchange rate; b) Peruvian New Sol-U.S. dollar exchange rate; c) Japanese yen-U.S. dollar exchange rate; d) Euro-U.S. dollar exchange rate; and e) Libor floating interest rate.

For the purposes of the risk sensitivity analysis, the Company and its subsidiaries present the exposures to currencies and interest rates as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in interest rates that could be indirectly influenced by it.

(b) Selection of scenarios

The sensitivity analysis includes three scenarios, one of which is probable and the other two represent adverse effects for the Company and its subsidiaries. In the preparation of the adverse scenarios, only the impact of the variables on the derivative financial instrument was considered. The overall impacts on the Company’s operations, such as those arising from the revaluation of inventories and future revenue and costs, were not considered.

Since the Company and its subsidiaries manage their exposure to foreign exchange rate risk on a net basis, adverse effects from a depreciation of the Brazilian real in relation to the U.S. dollar can be offset by opposing effects on their operating results.

As a probable scenario, the future curves of the Brazilian real-U.S. dollar exchange rate, the Peruvian New Sol-U.S. dollar exchange rate, the Japanese yen-U.S. dollar exchange rate, the Euro-U.S. dollar exchange rate and the Libor rate at March 31, 2014, disclosed by Bloomberg, were considered.

A 25% increase in the future curve quote disclosed by Bloomberg on March 31, 2014 for the Brazilian real-U.S. dollar, Peruvian New Sol-U.S. dollar, Japanese yen-U.S. dollar and Euro-U.S. dollar exchange rates, as well as in the interbank interest rate, was considered for the possible adverse scenario and 50% for the extreme adverse scenario.

A 25% decrease in the future curve quote disclosed by Bloomberg on March 31, 2014 for the Libor interest rate was considered for the possible adverse scenario and 50% for the worst-case scenario.

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(c) Sensitivity to the Brazilian real-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Brazilian real-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
NDF USDBRL	2,255	1,804	1,503
Swaps USDBRL	(118,544)	(213,305)	(276,479)
	(116,289)	(211,501)	(274,976)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDBRL	996	797	664
Swaps USDBRL	(52,384)	(94,258)	(122,174)
	(51,388)	(93,461)	(121,510)

(d) Sensitivity to the Peruvian New Sol-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Peruvian New Sol-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
DF USDPEN	(1,085)	(3,264)	(4,716)
	(1,085)	(3,264)	(4,716)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
DF USDPEN	(479)	(1,442)	(2,084)
	(479)	(1,442)	(2,084)

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(e) Sensitivity to the Japanese yen-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Japanese yen-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
NDF USDJPY	(13,730)	(23,742)	(30,418)
	(13,730)	(23,742)	(30,418)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDJPY	(6,067)	(10,491)	(13,441)
	(6,067)	(10,491)	(13,441)

(f) Sensitivity to the Euro-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Euro-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
DF EURUSD	93	(727)	(1,547)
Options EURUSD	(2)	(14)	(14)
	91	(741)	(1,561)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF EURUSD	41	(321)	(684)
Options EURUSD	(1)	(6)	(6)
	40	(327)	(690)

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(g) Sensitivity to the Libor floating interest rate

The sensitivity of each derivative financial instrument to the Libor interest rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Worst-case adverse (50%)
Swap LIBOR	(11,734)	(13,395)	(15,054)
	(11,734)	(13,395)	(15,054)

Instrument	US\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
Swap LIBOR	(5,185)	(5,919)	(6,652)
	(5,185)	(5,919)	(6,652)

4 Financial Instruments by Category

	Loans and receivables	Assets measured at fair value through profit or loss	Total R\$	Total US\$
March 31, 2014				
Assets, according to the balance sheet				
Derivative financial instruments		2,348	2,348	1,037
Trade accounts receivable and other accounts receivable (i)	11,019,845		11,019,845	4,869,574
Financial investments		899	899	397
Cash and cash equivalents	6,835,776		6,835,776	3,020,670
	17,855,621	3,247	17,858,868	7,891,678
Liabilities measured at fair value through profit or loss				
March 31, 2014				
Liabilities, according to the balance sheet				
Financing and lease obligations (ii)		486,474	486,474	214,969
Derivative financial instruments	145,095		145,095	64,116
Trade and other accounts payable, excluding legal obligations (iii)		6,672,272	6,672,272	2,948,419
	145,095	7,158,746	7,303,841	3,227,504

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	Loans and receivables	Assets measured at fair value through profit or loss	Total R\$
December 31, 2013			
Assets, according to the balance sheet			
Derivative financial instruments		1,093	1,093
Trade accounts receivable and other accounts receivable (i)	10,156,933		10,156,933
Financial investments		931	931
Cash and cash equivalents	8,904,704		8,904,704
	<u>19,061,637</u>	<u>2,024</u>	<u>19,063,661</u>
	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total R\$
December 31, 2013			
Liabilities, according to the balance sheet			
Financing and lease obligations (ii)		519,299	519,299
Derivative financial instruments	172,539		172,539
Trade and other accounts payable, excluding legal obligations (iii)		6,705,000	6,705,000
	<u>172,539</u>	<u>7,224,299</u>	<u>7,396,838</u>

- (i) Prepayments are excluded from the balance of "Trade accounts receivable and other accounts receivable" since the analysis is required only for financial instruments.
- (ii) The categories in this disclosure are determined by CPC 38. Thus, the finance leases were presented together with financing.
- (iii) The obligations arising from legislation are excluded from the balance of "trade and other accounts payable" since the analysis is required only for financial instruments.

5 Cash and Cash Equivalents

	March 31, 2014	December 31, 2013
	US\$	R\$
Cash and banks	839,867	1,900,619
Short-term deposits	2,180,803	4,935,157
	<u>3,020,670</u>	<u>6,835,776</u>
	<u>3,020,670</u>	<u>8,904,704</u>

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6 Trade Accounts Receivable

	US\$	March 31, 2014	December 31, 2013
	R\$		
Government entities			
Federal	3,143,792	7,114,401	6,100,721
State	171,924	389,063	477,880
Municipal	225,325	509,911	451,400
	3,541,041	8,013,375	7,030,001
Private sector	846,192	1,914,935	1,938,137
	4,387,233	9,928,310	8,968,138
(-) Current assets	4,046,342	9,156,873	8,092,954
Non-current assets	340,891	771,437	875,184

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

The balances of trade accounts receivable were calculated taking into consideration the contractual terms, specific portfolio risks and negotiations in progress, including administrative and judicial collection processes, in order to recover amounts due for services rendered, including financial charges.

Trade accounts receivable at March 31, 2014 include R\$ 94,039 – US\$ 41,555 (December 31, 2013 – R\$ 94,039) of overdue receivables from government entities under judicial collection, the major part of which has received favorable decisions, and R\$ 231,581 – US\$ 102,334 (December 31, 2013 – R\$ 231,581) of overdue receivables which the Company and its subsidiaries are attempting to collect through administrative actions with the debtors.

Considering the history of minimal losses that the Company and its subsidiaries have incurred, management does not expect losses on the realization of such receivables and believes that, as a result of actions taken, the recognition of amounts in addition to those recorded may occur when sufficient evidence exists to support a reasonable expectation that the corresponding amounts will be received.

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7 Taxes Recoverable

		March 31, 2014	December 31, 2013
	US\$		R\$
Current assets			
Social contributions recoverable	502	1,135	
Withholding IR, CSL from invoicing and withholding IR on earnings from financing investments	63,491	143,681	225,036
Withholding PIS and COFINS from invoicing	36,977	83,678	56,927
Prepaid Income Tax by overseas branches and subsidiaries	80,226	181,551	328,925
Foreign branches/ subsidiaries value added tax:			
Construtora Norberto Odebrecht S.A. - Venezuela			2,963
Construtora Norberto Odebrecht S.A. - Argentina	5,630	12,740	8,160
Other taxes recoverable	106,855	241,816	231,478
	<u>293,681</u>	<u>664,601</u>	<u>853,489</u>
Non-current assets			
Other taxes recoverable (*)	8,736	19,769	20,492
	<u>8,736</u>	<u>19,769</u>	<u>20,492</u>

(*) This mainly refers to withholding tax of the indirect subsidiary OLEX.

8 Inventories

		March 31, 2014	December 31, 2013
	US\$		R\$
Raw materials	5,634	12,750	8,958
Materials to be used in construction works	315,927	714,943	724,378
Marketable properties	10,838	24,526	9,983
Imports and exports in progress	33,907	76,732	136,456
In transit inventories	35,009	79,226	68,626
Advances to suppliers	151,045	341,813	403,798
	<u>552,360</u>	<u>1,249,990</u>	<u>1,352,199</u>

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9 Investments

(a) Information on the investees

At March 31, 2014 and December 31, 2013, the balance of the investments in associates mainly relate to the indirect holding in Braskem S.A. through the investees Belgravia and Odebrecht Serviços e Participações S.A. ("OSP"), which is recorded using the equity method.

(i) Main information

	OSP	
	March 31, 2014	December 31, 2013
Number of shares hold - preferred	737,328,531	737,328,531
Direct holding (%)	41.47	41.47
Stockholder's equity - (In thousand of R\$)	2,575,113	2,322,614
Stockholder's equity - (In thousand of US\$)	1,137,920	1,026,343
	Three-month period ended March 31,	
	2014	2013
Net income for the period - (In thousand of R\$)	133,488	112,863
Net income for the period - (In thousand of US\$)	58,987	49,873

(ii) Changes in the investments in an associate - OSP

	March 31, 2014	December 31, 2013
	US\$	R\$
Balance at the beginning of the period - OSP	425,624	963,188
Carrying value adjustments	21,809	49,354
Equity in results	24,462	55,357
Balance at the end of the period - OSP (*)	471,895	1,067,899
Others	276,717	626,210
Total associated Companies	748,612	1,694,109

(*) In the three-month period ended March 31, 2014, the effect of equity in the results of investees recognized in the statement of income amounts to R\$ 145,333 – US\$ 64,221 (March 31, 2013 – R\$ 36,472), mainly related to the investments held by the Company in IRSA's 2, 3 and Norte and Concessionária Travase Olmos in Peru; Concessionaria Ruta del Sol in Colombia; Itaguai Construções Navais in Brazil; Sociedade Mineira de Catoca Ltda. in Angola; and Etileno XXI in Mexico.

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10 Property and Equipment

	Land	Buildings and installations	Machinery and equipment	Vehicles and ships	Furniture and fixtures	IT equipment	Cons
Cost	37,287	573,058	2,619,454	674,171	193,074	116,536	
Acumulated depreciation		(128,840)	(1,656,934)	(352,236)	(59,851)	(69,623)	
At December 31, 2013	37,287	444,218	962,520	321,935	133,223	46,913	
Additions		12,719	134,488	86,877	16,603	5,169	
Corporate events (i)		494	20,317		661	160	
Disposals		(3,462)	(56,924)	(40,890)	(6,133)	(2,430)	
Transfers		50	(18,053)	(10)	25	(3)	
Depreciation		(7,659)	(91,153)	(27,055)	(5,403)	(4,667)	
Exchange variation	(867)	(7,266)	(1,018)	(4,910)	(1,668)	(138)	
	36,420	439,094	950,177	335,947	137,308	45,004	
Cost	36,420	576,060	2,659,260	697,203	200,831	117,863	
Acumulated depreciation		(136,966)	(1,709,083)	(361,256)	(63,523)	(72,859)	
At March 31, 2014 - R\$	36,420	439,094	950,177	335,947	137,308	45,004	
At March 31, 2014 - US\$	16,094	194,032	419,875	148,452	60,675	19,887	
Annual depreciation rates (%)		4	up to 17	25	10	20	

(i) Refers to the acquisition of Bairro Novo total shares (Note 1 (i)).

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11 Debts

Financial institution/type of loans	Currency	Annual financial charges	
RBS-ABN Amro Bank	US\$	Libor + 0.275% + EV	32
Banesco	US\$	7.00% to 8.00% + EV	32
Landesbank Baden	US\$ / €	Libor + 2.025% + EV / Euribor + 2.375% + EV	27
JP Morgan	US\$	7.00% + EV	
Bancolombia	COP	7.50% + EV	24
Interbank	US\$	4.28% to 4.87% + EV	9
BBVA Trade Finance	US\$	4.04% + EV	2
Banco Exterior	VEF	17.00% + EV	
Banco del Sur	VEF	14.00% to 16.00% + EV	3
Banco de Bogota	COP	DTF + 4.00% + EV	
Banco de Credito del Peru	US\$	4.17% to 4.64% + EV	3
Banco Alfa	R\$	Fixed interest 3.00% to 8.70%	10
CAT Financial	R\$	Fixed interest 8.70%	7
Banco Mercedes	R\$	Fixed interest 8.34% to 10.00%	6
Banco Votorantim	R\$	Fixed interest 8.70% to 10.00%	4
Banco ABC	R\$	Fixed interest 2.50% to 10.00%	6
FINEP	R\$	Fixed interest 5.25%	20
Banco Santander	R\$ / US\$	Libor + 3.00% to 4.50% + EV	5
Itaú-Unibanco	R\$	Fixed interest 8.70% to 18.86%	3
Banco Industrial	R\$	Fixed interest 3.00%	1
Banco HSBC	R\$	Fixed interest 8.70% to 19.28%	
Caixa Econômica Federal	R\$	Fixed interest 2.50% to 5.50%	3
Bradesco	R\$	Fixed interest 3.00% to 4.00%	2
Banco Safra	R\$	Fixed interest 3.50%	1
Banco Pine	R\$	Fixed interest 5.50%	1
Several foreign financial institutions	US\$ / € / KWA	4.50% to 12.00% + EV / Euribor + 5.00% to 7.00% + EV	
Several brazilian financial institutions	R\$ / US\$	5.50% to 14.11% / Libor + 1.20% to 5.00% + EV	2
			214
		(-) Non-current liabilities	123
		Current liabilities	91

Abbreviations:

EV - Exchange variation	VEF - Venezuelan Bolivares
LIBOR - London Interbank Offered Rate	FINEP - Financing of Development and Projects
COP - Colombian Peso	Euribor - Euro Interbank Offered Rate
US\$ - American dollar	DTF - Deposits to Fixed Terms Rate
R\$ - Brazilian reais	€ - Euro
KWA - Kwana	

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

		March 31, 2014	December 31, 2013
	US\$		R\$
2015	37,645	85,190	106,440
2016	45,194	102,275	89,924
2017	15,421	34,897	44,308
2018	11,820	26,749	28,641
2019	8,786	19,882	21,279
2020	2,411	5,457	5,590
2021	1,879	4,253	3,084
2022	705	1,595	1,291
2023 and thereafter	75	170	149
	<u>123,936</u>	<u>280,468</u>	<u>300,706</u>

The fair values of non-current debts are substantially similar to their carrying amounts based on discounted cash flows.

The Company's debts were contracted in the following currencies:

		March 31, 2014	December 31, 2013
	US\$		R\$
Local currency (Reais)	75,788	171,507	164,322
Foreign currency (U.S. dollars)	114,247	258,540	276,596
Foreign currency (others)	24,933	56,427	78,381
	<u>214,968</u>	<u>486,474</u>	<u>519,299</u>

(i) Additional information on debts:

- (a) On June 28, 2012, OOL obtained with financial institutions in the international market a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 245,000, maturing in June 2015 and with financial charges equivalent to LIBOR plus a spread that varies according to the rating of the guarantor's debt. When the credit line is not being used, the charges are equivalent to 0.525% p.a. payable monthly. Since the date of the contract up to March 31, 2014, this credit line was not used.

On December 13, 2012, OOL obtained with financial institutions in the international market a new credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 605,000, maturing in December 2015 and with financial charges equivalent to LIBOR, plus a spread that varies according to the rating of the guarantor's debt. When the credit line is not being used, the charges are equivalent to 0.525% p.a. payable monthly. Since the date of the contract up to March 31, 2014, this credit line was not used.

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(ii) Guarantees

Odebrecht Finance Ltd. (“OFL”), a subsidiary of Odebrecht S.A. (“ODB”), completed the following funding operations of which the Company is the guarantor:

- . On April 9, 2009, OFL placed US\$ 200,000 in bonds in the international financial markets. These bonds mature on April 9, 2014. On April 5, 2011, OFL repaid the amount of US\$ 156,116 of this funding through a Tender Offer.
- . On October 21, 2009, OFL raised a further US\$ 500,000 in bonds in the international financial markets. These bonds mature on April 21, 2020 and have a repurchase option after five years. On November 5, 2012, OFL repaid US\$ 379,033 of this funding through a Tender Offer of the 2042 bonds, as described below, and on November 23, 2012, it repaid US\$ 2,375 in cash. On April 24, 2013, OFL repaid US\$ 35,695 through a Tender Offer by using the funds raised in the issue of the bonds maturing in 2018 and 2025, as mentioned below.
- . On September 14, 2010, OFL completed another funding operation in the international financial markets raising US\$ 500,000 in Perpetual Bonds with a repurchase option after five years. On November 9, 2011, it raised a further US\$ 250,000 in Perpetual Bonds in the international financial markets under the same conditions as those of the original issue.
- . On April 5, 2011, OFL raised a further US\$ 500,000 in bonds in the international financial markets. These bonds mature on April 5, 2023. This funding was used to partially repay the bonds that mature in 2014 and 2017, in the amounts of US\$ 156,116 and US\$ 287,162, respectively. On January 26, 2012, OFL raised US\$ 300,000 in 2023 bonds in the international financial markets under the same conditions as those of the original issue. On November 5, 2012 and November 21, 2012, OFL repaid US\$ 37,837 and US\$ 33,130, respectively, of this funding through a Tender Offer. On April 24, 2013, OFL repaid US\$ 597,595 through a Tender Offer of the 2042 bonds by using the funds raised in the issue of the bonds maturing in 2018 and 2025, as mentioned below. On May 9, 2013, OFL repaid an additional US\$ 10,957 in cash.
- . On June 26, 2012, OFL raised US\$ 600,000 and US\$ 400,000 in bonds in the international financial markets. These bonds mature on June 26, 2022 and June 26, 2042, respectively. On November 1, 2012, OFL raised an additional US\$ 450,000 in 2042 bonds under the same conditions as those of the original issue. The funds raised from this issue were used to partially settle the bonds maturing in 2020 and 2023 for the amounts of US\$ 379,033 and US\$ 70,967, respectively. On December 3, 2013, OFL redeemed US\$ 9,850 of these Notes, paid in cash.
- . On April 25, 2013, OFL, raised an additional R\$ 500,000 – US\$ 249,826 in bonds maturing in April 2018 in the international financial markets. The funds raised from this issue were used to partially settle the bonds maturing in 2020 and 2023 for the amounts of US\$ 35,695 and US\$ 597,595 respectively. The remaining balance will be used to settle general corporate debts and expenses.
- . On April 25, 2013, OFL, raised an additional US\$ 550,000 in bonds maturing in April 2025 in the international financial markets. The funds raised from this issue were used to partially settle the bonds maturing in 2020 and 2023 for the amounts of US\$ 35,695 and US\$ 597,595, respectively. The remaining balance will be used to settle general corporate debts and expenses. From June to December, 2013, OFL repaid an additional US\$ 13,150 in cash. On March 5, 2014, OFL redeemed US\$ 18,250 of these Notes, paid in cash.

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The total balance, net of transaction costs, on December 31, 2013 is US\$ 3,171,326 (December 31, 2013 – US\$ 3,143,530). All bonds above are guaranteed by CNO.

(iii) Covenants

Some financing agreements and issues of securities of the Company and its subsidiaries, and other Odebrecht organization companies of which the Company is a guarantor, have covenants that are being complied with.

12 Current and Deferred Income Tax and Social Contribution

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

(a) Recognition of deferred income tax and social contribution

The asset balances are mainly composed of income tax and social contribution on temporary additions.

The liability balances relate to income tax and social contribution on temporary exclusions.

The breakdown of the deferred income tax and social contribution on March 31, 2014 and December 31, 2013 is as follows:

(i) Income tax

					March 31, 2014	December 31, 2013
	On temporary differences	Deferred income and exchange variation	Tax loss carryforward	Other	Total	Total
In R\$						
Non-current assets	276,914		6,039	86,286	369,239	362,034
Non-current liabilities		(182,471)		154,699	(27,772)	(73,459)
In US\$						
Non-current assets	122,366		2,669	38,129	163,164	
Non-current liabilities		(80,632)		68,360	(12,272)	

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(ii) Social contribution

				March 31, 2014	December 31, 2013
	On temporary differences	Deferred income and exchange variation	Accumulated social contribution tax losses	Other	Total
					Total
In R\$					
Non-current assets	97,201		4,592	(62,154)	39,639
Non-current liabilities		(65,149)		62,150	(2,999)
					59,283
					(1,501)
In US\$					
Non-current assets	42,952		2,029	(27,465)	17,516
Non-current liabilities		(28,789)		27,464	(1,325)

(b) Recoverability of recorded deferred income tax and social contribution assets

At March 31, 2014, the Company and its subsidiaries have recorded deferred income tax and social contribution assets, mainly related to temporary differences, based on the expected realization of such differences supported by the forecast of future results.

This forecast includes, as basic assumptions, the continuing increase in the order backlog (portfolio of revenues already contracted by the Company and its subsidiaries) in recent years; the expectation of increased investments in Brazil's power and infrastructure sectors; as well as the recognition, for tax purposes, of the operating results of foreign subsidiaries on the applicable balance sheet date.

Additionally, the Company has realized and cumulatively reduced its net balance of deferred income tax and social contribution assets in the past three years.

(c) Foreign income tax

In the three-month period ended March 31, 2014, the income tax expense incurred overseas is represented primarily by the taxes generated by operations of the Company in Angola R\$ 29,035 – US\$ 12,830 (March 31, 2013 – R\$ 14,758), Argentina R\$ 34,487 – US\$ 15,240 (March 31, 2013 – R\$ 12,469), Venezuela R\$ 66,432 – US\$ 29,356 (March 31, 2013 – (R\$ 8,957)) and Peru R\$ 27,274 – US\$ 12,052 (March 31, 2013 – R\$ 35,542).

(d) Tax incentives – corporate income tax

The Company, by means of the constitutive report 0219/2006, of October 9, 2006, issued by the Agência de Desenvolvimento do Nordeste - ADENE of the Ministry of National Integration, acquired the right to a benefit of a 75% reduction, until the base year 2016 (calendar year 2015), of the income tax otherwise payable on the profit arising from the branch established for the manufacturing and assembly of sea platforms for oil exploration contracted by Petrobras and PNBV. The manufacturing and assembly plant is established at Vila de São Roque de Paraguaçu, in the city of Maragogipe, State of Bahia.

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(e) Provisional Measure 627 of 2013

On November 11, 2013, Provisional Measure (MP) 627 was published, revoking the Transition Tax System (RTT), among other provisions, and is effective as from 2015. This MP allows taxpayers to opt for its early adoption as a condition to eliminate potential tax effects, particularly those related to dividends and interest on capital paid before the date of the publication of this MP, as well as to the calculation of interest on capital and the measurement of relevant investments in subsidiaries and associates using the equity method. The Company analyzed the possible effects that could arise from the application of this new ruling and is waiting for the conversion of this Provisional Measure into Law so that it can decide on its early adoption.

13 Equity

(a) Capital

At March 31, 2014 and December 31, 2013, capital amounts to R\$ 2,170,256 – US\$ 959,017, subscribed and paid up entirely by Brazilian individuals and legal entities and comprised 163,912,961 common shares and 119,248,213 preferred shares with no par value.

(b) Appropriation of net income

According to the Company's bylaws, appropriations of net income for the year, including the distribution of dividends, will be decided at the Annual General Stockholders' Meeting.

(i) Legal reserve

This reserve is established through the appropriation of 5% of net income for each year until the reserve equals 20% of total capital or until its balance, plus capital reserves, exceeds 30% of total capital.

In April 2014, the Extraordinary General Meeting approved the capitalization of the legal reserve, amounting to R\$ 81,552 – US\$ 36,037 to increase the Company's share capital.

(ii) Unrealized profit reserve

This reserve was established based on unrealized profit according to items I and II of paragraph 1 of Article 197 of Brazilian Corporate Law, the future realization of which will occur in accordance with this Law.

The Company's management resolved to distribute dividends amounting to R\$ 329,329 – US\$ 145,528 from the balance of the unrealized profit reserves, which was recorded in "Other accounts payable" in current liabilities. This resolution was ratified at the Annual General Stockholders' Meeting held in April 2014.

On December 31, 2013, the amount appropriated to the unrealized profit reserve was R\$ 945,809.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

In thousands of reais, unless otherwise indicated

(iii) Reserve for investments (statutory)

This refers to the remaining balance of retained earnings until, together with the legal reserve, it reaches 100% of total capital, retained in order to meet the business growth projections established in the Company's investment plan according to the capital budget approved and proposed by the Company's management, ratified by the Annual General Stockholders' Meeting held on April 27, 2012, in accordance with Article 196 of Brazilian Corporate Law.

The amount appropriated to the reserve for investments in the year ended December 31, 2013 was R\$ 215,887.

(iv) Revenue reserve – tax incentives

In compliance with Law 11,638/07 and CPC 07 – Government grants and assistance, the amounts related to the tax incentive as described in Note 13 (d) were accounted for in the statement of income and subsequently allocated to the Revenue reserve – tax incentives. This reserve may only be used to increase capital or offset losses, as provided for in Article 545 of the Income Tax Regulations.

As a result of the changes introduced by Laws 11,638/07 and 11,941/09 and Provisional Measure 449/08, the balance of the tax incentives reserve was reclassified from capital reserve to revenue reserve.

(v) Reserve for future capital increase

The Company's management approved the constitution of this reserve, in the amount of R\$ 1,751,054, remaining from the net income for the years ended December 31, 2010 and 2009, after the distribution of dividends and transfers to the legal and investment reserves, in compliance with Article 199 of Law 11,638/07, which determines that the balance of revenue reserves cannot exceed the amount of capital. The purpose of this reserve is to increase capital in order to meet the needs of the expected volume of business and investments in the coming years.

In April 2014, the Extraordinary General Meeting approved the capitalization of reserves for future capital increase of the Company, amounting to R\$ 1,751,054 – US\$ 773,776.

(c) **Carrying value adjustment**

This account was established by Law No. 11,638/07 to record the amounts in equity that have not yet been recognized in the profit or loss for the year. The effects of these amounts on profit or loss for the year will be recognized upon their effective realization. The changes in this account in the three-month period ended March 31, 2014 and 2013, were as follows:

	Three-month period ended March 31,	
	2014	2013
	US\$	R\$
At the beginning of the period	146,170	330,782
Carrying value adjustments in investees	24,840	56,213
Exchange variation on foreign investments	(99,970)	(226,232)
At the end of the period	71,040	160,763
	455,131	(523)
	(356,908)	97,700

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

In thousands of reais, unless otherwise indicated

(d) Share rights

Preferred shares, which are non-voting, have priority in the event of capital reimbursement upon liquidation and, based on Law 10,303/01, the preferred and common shares have the same right with regards to the receipt of dividends. All stockholders are assured an annual dividend of at least 25% of adjusted net income for the year, calculated in accordance with Brazilian Corporate Law.

The Company's management resolved to distribute minimum compulsory dividends for the year ended December 31, 2013 of R\$ 387,371, recorded in "Other accounts payable" in current liabilities. This distribution was ratified at the General Stockholders' Meeting held in April, 2014.

The remaining portion of retained earnings was appropriated to the unrealized profit reserve and reserve for investments.

14 Earnings per share

Basic earnings per share was calculated by means of the division of net income for the quarter attributable to the common and preferred stockholders of the Company by the weighted average number of common and preferred shares outstanding in the quarter.

	<u>US\$</u>	<u>2014</u>	<u>2013</u>
			<u>R\$</u>
Earnings for the period from continuing operations attributable to all Company's stockholders	293,780	664,825	928,875
Weighted average number of shares, per class (In thousands)			
Common shares	163,913	163,913	163,298
Preference shares	119,248	119,248	118,801
	<u>283,161</u>	<u>283,161</u>	<u>282,099</u>
Earnings per share			
Preferred and common shares	<u>1.038</u>	<u>2.348</u>	<u>3.293</u>

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

In thousands of reais, unless otherwise indicated

15 Services and sales revenues

The reconciliation of gross revenue from services and sales with net revenue is as follows:

	Three-month period ended March 31,		
	2014		2013
	US\$	R\$	
Services revenues			
Domestic market	851,525	1,927,000	2,285,204
Foreign market	2,294,460	5,192,362	3,419,779
	<u>3,145,985</u>	<u>7,119,362</u>	<u>5,704,983</u>
Sales revenues			
Domestic market	96,037	217,331	194,250
Foreign market			25
	<u>96,037</u>	<u>217,331</u>	<u>194,275</u>
Taxes and contributions on services and sales	(67,235)	(152,151)	(128,658)
Net services and sales revenues	<u><u>3,174,787</u></u>	<u><u>7,184,542</u></u>	<u><u>5,770,600</u></u>

16 Finance result, net

	Three-month period ended March 31,		
	2014		2013
	US\$	R\$	
Income from financial investments	38,303	86,680	57,416
Exchange variation expense	(271,854)	(615,206)	(211,019)
Exchange variation income	317,904	719,416	685,413
Financial charges on debts	(4,292)	(9,712)	(49,098)
Bank commissions	(10,627)	(24,049)	(17,608)
Others, net	(5,160)	(11,677)	(26,991)
	<u><u>64,274</u></u>	<u><u>145,452</u></u>	<u><u>438,113</u></u>

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

In thousands of reais, unless otherwise indicated

17 Income Tax and Social Contribution Expense

	Three-month period ended March 31,		
		2014	2013
	US\$		R\$
Deferred social contribution	(8,921)	(20,188)	10,603
Current social contribution	(133)	(300)	(11,871)
Others	25	56	(94)
Total - social contribution	<u>(9,029)</u>	<u>(20,432)</u>	<u>(1,362)</u>
Deferred income tax	(24,791)	(56,102)	29,453
Current income tax	(338)	(766)	(31,964)
Foreign income tax (branches and subsidiaries) - Current	(133,435)	(301,963)	(93,274)
Foreign income tax (branches and subsidiaries) - Deferred	54,172	122,591	25,687
Others	49	112	(262)
Total - income tax	<u>(104,343)</u>	<u>(236,128)</u>	<u>(70,360)</u>

18 Insurance coverage

Consistency in the approach to risks at the Odebrecht Organization is ensured by the Insurance and the Finance and Guarantees Policies (“Policies”), which establish the basic concepts, general guidelines and authority for contracting and administering insurance and guarantees, and for the relationship with the insurance market.

The Policies, which cover insurance and guarantees contracted through insurance companies, are: (i) complied with by ODB and its closely-held subsidiaries, (ii) used as a guideline in the preparation of the Policies of the listed companies controlled by ODB, and (iii) used as a reference in the voting of its representatives for the approval of similar policies in joint ventures or jointly-controlled companies.

OCS, a wholly-owned subsidiary of ODB, which has international experience and operates worldwide, in line with ODB, is responsible for applying the Policies and supporting risk management at the level of the Odebrecht Organization, ensuring contracting at adequate prices and appropriate coverage for each contract or venture in the engineering and construction segment.

In the three-month period ended March 31, 2014 and year ended December 31, 2013, the Policies were fully complied with. We are not aware of any risk covered by the Policies that has not been duly analyzed and mitigated, or of any loss event that has not been properly covered.

On March 31, 2014, the insurance coverage of the Company and its subsidiaries amounts to US\$ 46,028,510 – R\$ 104,162,517 (December 31, 2013 – US\$ 44,740,825). The Company and its subsidiaries have Surety Bond operations, which, on March 31, 2014, amounted to US\$ 14,808,675 – R\$ 33,512,032 (December 31, 2013 – US\$ 13,758,595).

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

In thousands of reais, unless otherwise indicated

19 Provisions for Tax, Labor and Civil Contingencies

- (i) On March 31, 2014, the Company and its subsidiaries have provisions of R\$ 104,101 – US\$ 46,001 (December 31, 2013 – R\$ 83,989) recorded in current liabilities and R\$ 6,404 – US\$ 2,830 (December 31, 2013 – R\$ 14,435) recorded in non-current liabilities to cover labor, tax and civil claims, which, in the opinion of management and its legal advisors, have a probable chance of unfavorable outcome.

In addition, the Company and its indirect subsidiary CBPO are defending labor and tax claims amounting to R\$ 289,799 – US\$ 128,060 (December 31, 2013 – R\$ 282,926), as well as civil claims of R\$ 436,284 – US\$ 192,790 (December 31, 2013 – R\$ 425,936), for which no provision for losses has been recorded because management and the legal advisors believe that the chances of losses arising from the final decision in these cases are possible.

In November 2009, the Company joined a tax debt refinancing program established by Law 11,941/09 and Provisional Measure 449/2008 in order to settle its tax liabilities by means of a special installment system for the payment of tax and social security obligations. At June 30, 2011, the corresponding balance, amounting to R\$ 211,691, was divided into 161 monthly installments for the PAEX balance and 11 months for the other debts. The remaining balance at March 31, 2014 is equivalent to R\$ 46,678 – US\$ 20,626 (December 31, 2013 – R\$ 48,782), recorded in non-current liabilities at the amount of R\$ 34,810 – US\$ 15,382 (December 31, 2013 – R\$ 37,121), and the remaining balance at the amount of R\$ 11,868 – US\$ 5,244 (December 31, 2013 – R\$ 11,661) is recorded in “Taxes, rates, salaries and payroll charges” in current liabilities.

20 Related parties

(a) Odebrecht Organization Companies

Balance sheet

	Non-current assets	Non-current liabilities
Aqueduct Trading Services Co. Inc. ("Aqueduct")		89,761
ODB (i)	1,811,487	
Concessionária Traspase Olmos ("OLMOS")	38,093	
OCS International Ltd. ("OCSI")		22,517
OCS		15,315
Odebrecht Peru Inversiones em Infraestrutura S.A. ("OPII")	29,752	
ONL Investments B.V.	10,524	
Biocom - Companhia de Bioenergia de Angola, Limitada. ("Biocom")	443,243	
Others	25,621	22,212
Balance at March 31, 2014 - R\$	<u>2,358,720</u>	<u>149,805</u>
Balance at March 31, 2014 - US\$	<u>1,042,298</u>	<u>66,198</u>
Balance at December 31, 2013 - R\$	<u>1,496,811</u>	<u>154,246</u>

(i) The balances of the Odebrecht Organization companies with ODB, ODB International Corporation (“ODBIC”), OFL and OSP are presented on a net basis and are offset against the main balances maintained by the Company amounting to R\$ 3,984,720 – US\$ 1,760,813 on March 31, 2014.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at March 31, 2014

In thousands of reais, unless otherwise indicated

The main balances with the Organization Companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the Organization companies. The operations consist of lending of funds, assignments of credits and assumptions of obligations and are not subject to financial charges.

(b) Current accounts with consortium members

On March 31, 2014, the Company has accounts receivable related to a current account with consortium members from Odebrecht Serviços e Participações S.A. ("OSP"), amounting to R\$ 102,285 – US\$ 45,199 (December 31, 2013 – R\$ 92,917), in connection with the construction works of UHE Santo Antonio.

(c) Main balances and transactions

	<u>Current assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>
Braskem	5,553		
Estaleiro Enseada do Paraguaçu	42,836	32,950	
Odebrecht Properties	61,054	36,893	
ODB		723,490	
Balance at March 31, 2014 - R\$	<u>109,443</u>	<u>793,333</u>	
Balance at March 31, 2014 - US\$	<u>48,362</u>	<u>350,567</u>	
Balance at December 31, 2013 - R\$	<u>159,192</u>	<u>828,043</u>	<u>35,327</u>

* * *



Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors and Stockholders
Construtora Norberto Odebrecht S.A.

We have audited the accompanying consolidated financial statements of Construtora Norberto Odebrecht S.A. ("Company") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

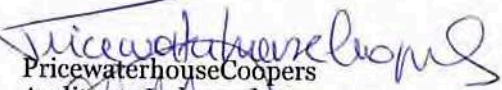


Construtora Norberto Odebrecht S.A.

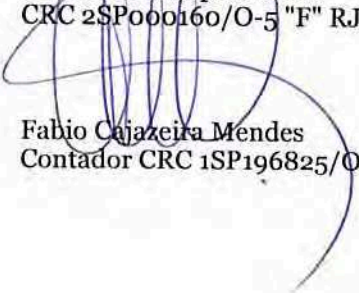
Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Construtora Norberto Odebrecht S.A. and its subsidiaries as at December 31, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Salvador, February 28, 2014



PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ



Fabio Cajazeira Mendes
Contador CRC 1SP196825/O-0 "S" RJ

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Balance Sheets

In thousands of reais and U.S. dollars

	December 31, 2013		December 31, 2012		January 1, 2012		
	US\$		R\$		R\$		
					(Restated)		
Assets							Liabilities and equity
Current assets							Current liabilities
Cash and cash equivalents (Note 6)	3,801,205	8,904,704	6,649,321	6,338,448	Debits (Note 12)		
Financial investments	397	931	34,886	41,780	Suppliers and subcontractors		
Trade accounts receivable (Note 7)	3,454,689	8,092,954	5,985,193	3,865,613	Taxes, rates, salaries and payroll charges		
Advances to suppliers, subcontractors and others	733,497	1,718,291	1,441,082	998,728	Management profit sharing		
Taxes recoverable (Note 8)	364,334	853,489	703,927	433,652	Provisions for tax, labor and civil contingencies (Note 20 (i))		
Inventories (Note 9)	577,221	1,352,199	1,192,739	653,603	Advances from customers		
Current accounts with consortium members	309,279	724,518	1,152,769	505,120	Current accounts with consortium members		
Prepaid expenses	276,925	648,725	515,702	256,517	Other accounts payable		
Other accounts receivable	336,681	788,704	572,680	599,349			
	9,854,228	23,084,515	18,248,299	13,692,810			
Non-current assets							Non-current liabilities
Long-term receivables							Odebrecht Organization companies (Note 21)
Financial investments							Debits (Note 12)
Odebrecht Organization companies (Note 21)	638,953	1,496,811	85,505	80,805	Advances from customers		
Trade accounts receivable (Note 7)	373,595	875,184	871,517	1,136,409	Deferred income tax and social contribution (Note 13 (a))		
Deferred income tax and social contribution (Note 13 (a))	179,850	421,317	696,899	544,052	Suppliers and subcontractors		
Taxes recoverable (Note 8)	8,748	20,492	156,688	272,803	Provisions for tax, labor and civil contingencies (Note 20 (i))		
Other accounts receivable	171,256	401,184	24,360	10,549	Taxes payable in installments (Note 20 (i))		
			596,093	557,639	Other accounts payable		
	1,372,402	3,214,988	2,431,062	2,602,257			
Investments							Equity
Associated companies (Note 10 (a))	669,145	1,567,540	1,558,564	1,499,185	Capital (Note 14 (a))		
Others	19,994	46,839	23,026	51,866	Revenue reserves (Note 14 (b))		
Property and equipment (Note 11)	976,060	2,286,517	1,820,383	1,734,380	Carrying value adjustments (Note 14 (c))		
Intangible assets	25,364	59,417	52,324	72,937			
	3,062,965	7,175,301	5,885,359	5,960,625	Non-controlling interest		
Total assets	12,917,193	30,259,816	24,133,658	19,653,435	Total liabilities and equity		

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Statement of Income Years ended December 31

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

	2013		2012
	US\$		R\$
			(Restated)
Continuing operations			
Net service and sales revenues (Note 16)	13,782,001	32,285,716	28,376,325
Cost of services rendered	(11,645,455)	(27,280,643)	(24,008,265)
Gross profit	2,136,546	5,005,073	4,368,060
Operating expenses			
General and administrative expenses	(963,535)	(2,257,176)	(1,901,425)
Management remuneration	(22,388)	(52,447)	(75,283)
Operating profit	1,150,623	2,695,450	2,391,352
Results from investments			
Equity in the results of investees (Note 10 (a))	232,869	545,518	66,260
Financial result			
Financial result, net (Note 17)	(371,602)	(870,514)	(687,165)
Other income (expenses)			
Other income (expenses), net	11,036	25,852	(45,579)
Income before social contribution and income tax	1,022,926	2,396,306	1,724,868
Social contribution (Note 18)	14,512	33,996	(40,230)
Income tax (Note 18)	(314,052)	(735,699)	(762,173)
Net income for the year	723,386	1,694,603	922,465
Attributable to			
Company's stockholders	696,251	1,631,036	885,339
Non-controlling interest	27,135	63,567	37,126
	723,386	1,694,603	922,465
Basic and diluted net income per share from continuing operations attributable to stockholders at the end of the year (in R\$ and US\$ per share) (Note 15)	2.463	5.769	3.138

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

**Construtora Norberto Odebrecht S.A.
and its Subsidiaries**

**Consolidated Statement of Comprehensive Income
Years ended December 31**

In thousands of reais and U.S. dollars

	2013		2012
	US\$		R\$
Net income for the year	723,386	1,694,603	922,465
Other comprehensive income:			
Items to be subsequently reclassified to profit:			
Carrying value adjustment (Note 14 (c))	(111,490)	(261,176)	(1,903)
Exchange variation on foreign investments (Note 14 (c))	58,408	136,827	240,745
Total comprehensive income for the year	670,304	1,570,254	1,161,307
Attributable to:			
Company's Stockholders	643,169	1,506,687	1,124,181
Non-controlling interest	27,135	63,567	37,126
	670,304	1,570,254	1,161,307

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Statement of Changes in Equity

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

	Revenue reserves						Carrying value adjustment	Attributable to
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase		
At December 31, 2012	890,850	38,225	6,576	121,602	515,192	747,483	194,284	
Total comprehensive income for the year								
Net income for the year - US\$ 2.463 per share								6
Other comprehensive income (Note 14 (c))							(53,082)	
Total comprehensive income for the year							(53,082)	6
Capital transactions with stockholders								
Capital increase (Note 14 (a))	48,531	(38,225)						
Capital reduction (Note 14 (a))	(12,951)							
Other transactions with non-controlling interests								
Allocation of net income								
Dividends - R\$ 1.082 per share					(140,583)			(16)
Transfer to reserves (Note 14 (b))		34,813		92,157	403,743			(53)
Other adjustment with investees								
At December 31, 2013	926,430	34,813	6,576	213,759	778,352	747,483	141,202	

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Statement of Changes in Equity

In thousands of reais, unless otherwise indicated

	Revenue reserves						Carrying value adjustment	Attributable to
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase		
At December 31, 2012	2,086,905	89,545	15,406	284,865	1,206,887	1,751,054	455,131	
Total comprehensive income for the year								
Net income for the year - R\$ 5.769 per share								1,62
Other comprehensive income (Note 14 (c))							(124,349)	
Total comprehensive income for the year							(124,349)	1,6
Capital transactions with stockholders								
Capital increase (Note 14 (a))	113,691	(89,545)						
Capital reduction (Note 14 (a))	(30,340)							
Other transaction with non-controlling interests								
Allocation of net income								
Dividends - R\$ 2.535 per share (Note 14 (b))					(329,329)			(3
Transfer to reserves (Note 14 (b))		81,552		215,887	945,809			(1,24
Other adjustment with investees								
At December 31, 2013	2,170,256	81,552	15,406	500,752	1,823,367	1,751,054	330,782	

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Statement of Changes in Equity

In thousands of reais, unless otherwise indicated

	Revenue reserves						Carrying value adjustment	Attributable to non-controlling interests
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase		
At January 1, 2012	2,096,603	45,278	15,406	284,865	452,135	1,751,054	216,289	
Total comprehensive income for the year								
Net income for the year - R\$ 3.138 per share								88,111
Other comprehensive income							238,842	
Total comprehensive income for the year							<u>238,842</u>	<u>88,111</u>
Capital transactions with stockholders								
Capital reduction (Note 14 (a))	(9,698)							
Other transactions with non-controlling interests								(10,000)
Allocation of net income								
Dividends - R\$ 0.354 per share								(7,500)
Other adjustment with investees								
Transfer to reserves		44,267			754,752			
At December 31, 2012	<u>2,086,905</u>	<u>89,545</u>	<u>15,406</u>	<u>284,865</u>	<u>1,206,887</u>	<u>1,751,054</u>	<u>455,131</u>	

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Statement of Cash Flows Years Ended December 31

In thousand of reais and U.S. dollars

	2013	2012
	US\$	R\$
		(Restated)
Cash flows from operating activities		
Profit before income tax and social contribution	1,022,926	2,396,306
Adjustments:		
Equity in results of investees	(232,869)	(545,518)
Variation in construction contracts revenue	517,437	1,212,148
Depreciation and amortization	199,387	467,084
Residual value of reduction in property and equipment and project expenses	142,928	334,824
Fair value of derivative financial instruments in statement of income	65,092	152,486
Interest and monetary and exchange variations, net	202,913	475,345
Cash from operations	1,917,814	4,492,675
Changes in assets and liabilities:		
Financial investments	51,351	120,295
Trade accounts receivable	(500,323)	(1,172,057)
Inventories	(72,204)	(169,145)
Taxes recoverable	(88,828)	(208,088)
Prepaid expenses and other assets	93,083	218,056
Suppliers and subcontractors	543,326	1,272,796
Advances from customers	220,840	517,339
Taxes, rates, salaries and payroll charges	(176,328)	(413,067)
Other liabilities	260,923	611,233
Net cash generated from operating activities	2,249,654	5,270,037
Cash flows from investing activities		
Acquisitions of investments	(1,011)	(2,368)
Acquisitions of property and equipment and intangible assets	(451,287)	(1,057,185)
Net cash used in investing activities	(452,298)	(1,059,553)
Cash flows from financing activities		
Related parties		
Repayment	(3,527,761)	(8,264,132)
New loans	3,109,670	7,284,713
Short and long-term debt, net		
New loans	413,033	967,571
Repayment - principal	(521,419)	(1,221,475)
Payment - interest	(29,233)	(68,482)
Net cash used in financing activities	(555,710)	(1,301,805)
Effect of changes in the exchange rate on cash and cash equivalents	(282,545)	(661,889)
Cash and cash equivalents of subsidiaries included in and/ (or) excluded from the consolidation, net	3,668	8,593
Increase in cash and cash equivalents, net	962,769	2,255,383
Cash and cash equivalents at the beginning of the year	2,838,436	6,649,321
Cash and cash equivalents at the end of the year	3,801,205	8,904,704

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

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1 Operations

Construtora Norberto Odebrecht S.A. (“CNO” or “Company”) is part of the Odebrecht Organization (“Organization”) and has its legal headquarters in Rio de Janeiro and administrative headquarters in São Paulo. The main operations of the Company include the planning and execution of engineering projects of all types and specialties as contractor, administrator or other roles; technical installations of civil engineering, industrial assembly, consulting, planning, assistance and technical studies; rendering of administrative or technical services; investments in other companies to enhance development, stability and profitability, and other related activities, including import and export, rental and purchase and sale of equipment and transportation.

Through its branches, the Company operates directly in the following countries: Venezuela, Angola, Ecuador, Dominican Republic, Colombia, Mexico, United Arab Emirates, Bolivia, Argentina, Peru, Costa Rica, Panama, Paraguay, Guatemala and Ghana. In addition to these countries, the Company operates, through its direct and indirect subsidiaries: Portugal, United States of America, England, Chile, Uruguay, Spain, Libya, Liberia, Austria, Mozambique, Cuba and Guinea.

In the heavy civil construction segment, the Company and its main indirect subsidiaries in Brazil, CBPO Engenharia Ltda. (“CBPO”) and Construtora Norberto Odebrecht Brasil S.A. (“CNO Brasil”), develop construction projects involving highways, railways, hydroelectric, thermoelectric and nuclear plants, port facilities, dams, and other industrial and infrastructure projects.

The main projects currently in progress in Brazil are: Submarine Project and Rio Barra Subway Project in the State of Rio de Janeiro, Belo Monte hydroelectric plant in the State of Pará and the construction of the Enseada do Paraguaçu shipyard in the State of Bahia, in addition to many contracts for the rendering of services in oil platforms, petrochemical plants and urban mobility projects, including those related to the 2016 Olympic Games. Overseas, the Company has projects in many countries and the main ones are located in Angola (Hydroelectric Facilities in Laúca and the SONAREF project, in addition to many transportation and infrastructure construction works), the United States (Grand Parkway highway), Mexico (XXI ethylene plant), Panama (Tocumen international airport), Peru (new roads in Lima and Chaglla hydroelectric plant) and Venezuela (El Dilúvio irrigation in Anzoátegui, Nigale bridge and Guarenas Guatire subway).

In the process of obtaining and performing contracts in Brazil and overseas, the Company and its subsidiaries use surety bonds obtained with the support of OCS - Odebrecht Administradora e Corretora de Seguros Ltda. (“OCS”), which is part of the Odebrecht Organization, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market (Note 19).

These consolidated financial statements were approved by the Company's Executive Board on February 28, 2014.

(i) Corporate events

On June 25, 2012, the subsidiary Tenenge Overseas Corporation (“TOC”) sold the investment in Odebrecht Oil and Gas Angola Limited (“OOGA”) to Odebrecht E&P GmbH at book value of € 145,341 thousands, equivalent to R\$ 391,752 on December 31, 2012, recorded in the “Other accounts receivable” account in non-current assets. The amount was received during the fourth quarter of 2013.

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On December 20, 2012 the Extraordinary General Meeting approved the reduction of the Company's capital by R\$ 9,698, in connection with the transfer of investment in Concessionária Rio Mais S.A. ("CRM") to ODB, originally owned by CNO Brasil (Note 14 (a)).

On March 26, 2013, Belgrávia had its name changed to Belgrávia Serviços e Participações S.A. ("Belgrávia") and, consequently, its purpose was changed to: investment as a partner, stockholder or quotaholder in the capital of companies whose purposes are equal or different from its own; provision of administrative, technical, research, planning and consulting services; development of real estate developments, including the preparation of projects, the related advertising materials and the sale of residential and/or commercial units, the performance of the necessary services and of heavy civil construction and engineering works in all Brazilian territory.

On May 31, 2013, the merger of Odebrecht Plantas Industriais e Participações S.A. ("OPIP") into CNO was approved and, as a result, the Company's capital was increased. Additionally, Odebrecht Engenharia de Projetos Ltda. ("OEP"), a direct subsidiary of OPIP, started to be fully consolidated by the Company (Note 14 (a)).

On August 30, 2013, the Extraordinary General Stockholders' Meeting approved the reduction in the Company's capital of R\$ 30,340 – US\$ 12,951 by means of the transfer of shares of Atlanta Participações S.A. ("Atlanta") to the stockholder ODB (Note 14 (a)).

On September 30, 2013, the Extraordinary General Stockholders' Meeting approved an increase in the Company's capital by R\$ 369 – US\$ 157 by means of the transfer by the stockholder ODB of its investment in Concessionaria Madden-Collon S.A. ("MACOL") (Note 14 (a)).

(ii) Financial position and ratings (not audited)

The Company's credit has been monitored and analyzed by the main credit rating agencies for many years and, since its first rating, the Company has obtained consecutive upgrades on both the local and global scales.

In December 2009, the rating agency Moody's started to cover the Company, and assigned a Baa3 investment grade rating on the global scale and Aa1.br on the Brazilian national scale. In May 2012, the rating agency Standard & Poor's assigned a BBB- rating on the global scale and br AAA on the national scale. In September 2013, the rating agency Fitch Ratings assigned a BBB investment grade rating on the global scale and AAA on the Brazilian national scale.

CNO's corporate credit ratings assigned by the three rating agencies that monitor the Company are as follows:

	<u>Moody's</u>	<u>Standard&Poors</u>	<u>FitchRatings</u>
National Scale – Long term	Aa1.br	br AAA	AAA(bra)
Global Scale – Local and Foreign currency	Baa3	BBB-	BBB

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2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative financial instruments) measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management of the Company and its subsidiaries to exercise its judgment in the process of applying the accounting policies of the Organization. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee ("CPC").

2.2 Consolidation

(a) Consolidated Financial Statements

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) Subsidiaries

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

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

(ii) Transactions with and participation of non-controlling interests

The Company treats transactions with non-controlling interests as transactions with owners of the Company's assets. In purchases of non-controlling interests, the difference between any consideration paid and the share acquired of the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

(iii) Associates

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

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

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

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates and joint ventures includes the goodwill identified on acquisition, net of any accumulated impairment loss. See Note 2.5.4 for impairment of non-financial assets, including goodwill.

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

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

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

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

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Notes to the Consolidated Financial Statements at December 31, 2013

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(iv) Consolidated companies

The consolidated financial statements include those of the Company and its subsidiaries in which the following direct and indirect interest is held as of December 31, 2013 and 2012:

	Country	Direct and indirect holding (%)	
		2013	2012
Auto Pista Del Coral S.A.	Dominican Republic	100.00	100.00
Atlantic Charter LLC	USA	100.00	100.00
Belgrávia	Brazil	100.00	100.00
Odebrecht Portugal S.A. ("ODBPORT") (c)	Portugal	100.00	100.00
Brazilian Olex Importação e Exportação S.A. Shanghai Representative Office	China	100.00	100.00
CBPO	Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina	Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile	Chile	100.00	100.00
CBPO Engenharia Ltda. - Colombia	Colombia	100.00	100.00
CBPO Engenharia Ltda. - Peru	Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Engenharia Ltda. - Panamá	Panamá	100.00	100.00
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Ltd.	Cayman Islands	100.00	100.00
Centaurus Investments Limited	Cayman Islands	100.00	100.00
CODEPA - Companhia de Desenvolvimento e Participações S.A.	Brazil	100.00	100.00
Companhia de Obras e Infra Estrutura	Brazil	100.00	100.00
Conirsa S.A.	Peru	100.00	100.00
Construtora Norberto Odebrecht de Colombia Ltda.	Colombia	100.00	100.00
Construtora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Construtora Odebrecht Chile S.A.	Chile	100.00	100.00
Construtora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
Construtora Norberto Odebrecht Bolivia S.A.	Bolivia	100.00	100.00
Construtora Norberto Odebrecht de Panamá S.A.	Panamá	100.00	100.00
Construtora Norberto Odebrecht S.A. - Angola	Angola	100.00	100.00
Construtora Norberto Odebrecht S.A. - Argelia	Argelia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Argentina	Argentina	100.00	100.00
Construtora Norberto Odebrecht S.A. - Bolivia	Bolivia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Colombia	Colombia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Construtora Norberto Odebrecht S.A. - Emirados Arabes	Arab Emirates	100.00	100.00
Construtora Norberto Odebrecht S.A. - Ecuador	Ecuador	100.00	100.00
Construtora Norberto Odebrecht S.A. - Espanha	Spain	100.00	100.00
Construtora Norberto Odebrecht S.A. - Guatemala (a)	Guatemala	100.00	
Construtora Norberto Odebrecht S.A. - Honduras	Honduras	100.00	100.00
Construtora Norberto Odebrecht S.A. - Mexico	Mexico	100.00	100.00
Construtora Norberto Odebrecht S.A. - Mozambique	Mozambique	100.00	100.00
Construtora Norberto Odebrecht S.A. - Panamá	Panamá	100.00	100.00
Construtora Norberto Odebrecht S.A. - Paraguai	Paraguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Peru	Peru	100.00	100.00
Construtora Norberto Odebrecht S.A. - Republica Dominicana	Dominican Republic	100.00	100.00
Construtora Norberto Odebrecht S.A. - Uruguai	Uruguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Dhawahi Alm adeena Construction LLC	USA	100.00	100.00
Dominicana Ingeniería y Construcción S.A.	Dominican Republic	100.00	100.00
Energipar Participações S.A.	Brazil	100.00	100.00
Libyan Brazilian Construction and Development Company	Libya	60.00	60.00
Multitrade S.A.	Brazil	100.00	100.00
Odebrecht Global Sourcing, Inc.	USA	100.00	100.00
Odebrecht Services GMBH	Austria	100.00	100.00
Odebrecht Guinea	Guinea Conakry	100.00	100.00
CBPO Overseas Sucursal Republica Dominicana	Dominican Republic	100.00	100.00
Odebrecht Industrial Engineering America	USA	100.00	100.00
OEP (a)	Brazil	100.00	

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Information on the main direct and indirect subsidiaries and branches included in consolidation:

	Number of shares or quotas directly or indirectly held		Stockholders' Equity (Net capital deficiency)		
	2013	2012	2013		2012
			US\$	R\$	
BPC	7,399,859	7,399,859	122,579	287,153	296,250
CBPO	2,321,413	2,321,413	437,476	1,024,831	995,412
OCI	86,806,032	86,806,032	132,508	310,412	282,805
OOL	165,213,213	165,213,213	213,686	500,581	576,030
OPIC	12,428,019	12,428,019	210,534	493,196	454,932
OSEL	100,000,000	100,000,000	(30,382)	(71,173)	226,315
CNO Brasil	915,091,777	765,968,848	208,671	488,834	518,666
Construtora Norberto Odebrecht S.A. - Venezuela (Branch)			433,390	1,015,260	543,279
Construtora Norberto Odebrecht S.A. - Angola (Branch)			12,304	28,822	30,676
Construtora Norberto Odebrecht S.A. - Peru (Branch)			66,313	155,345	160,597
Construtora Norberto Odebrecht S.A. - Argentina (Branch)			128,136	300,172	345,363

In the consolidated financial statements, the Company's interests in the subsidiaries' net worth and results, balances of income and expenses were eliminated.

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(b) Changes in accounting policies and disclosures

The following pronouncement has been adopted for the first time for the year beginning January 1, 2013 and had impacts for the Company.

CPC 19 (R2)/IFRS 11 – “Joint Arrangements” focuses on the rights and obligations of the parties to a joint arrangement and not on the legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise when investors have rights over the assets and obligations from the liabilities related to the business. The party to the joint operations must recognize its assets, liabilities, income and expenses. Joint ventures arise when the rights are over the net assets of the business and are recognized using the equity method. Proportional consolidation is no longer allowed.

Due to adoption of this pronouncement, comparative balances have been restated and are presented in Note 22.

Other changes are first applied in 2013, however, not materially affect the financial statements.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the entities included in consolidation are measured using the currency of the primary economic environment in which the respective entity operates (‘the functional currency’). The consolidated financial statements are presented in Brazilian reais (R\$), which is CNO’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

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

(c) Consolidated entities

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

- (i) Assets and liabilities are translated at the closing rate at the balance sheet date.
- (ii) The opening equity for one year corresponds to the closing equity of the previous year as translated at the time. The changes in the opening equity for the year are translated at the rates in effect on the dates these changes occur.
- (iii) Income and expenses for each statement of income are translated at average exchange rates.
- (iv) All resulting exchange differences are recognized as a separate component of equity.

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

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank deposits and other short-term highly liquid investments with original maturities of three months or less, and immaterial risk of change in value. Bank overdrafts are shown within "Debts" in current liabilities in the balance sheet.

2.5 Financial assets

2.5.1 Classification

The Company and its subsidiaries classify their financial assets in the following categories: measured at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are the financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also classified as held for trading, unless they have been designated as hedging instruments. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those falling due more than 12 months after the balance sheet date (these are classified as non-current assets). The Company's loans and receivables comprise "Cash and cash equivalents", "Trade accounts receivable" and "Other accounts receivable" (Notes 2.4 and 2.7).

2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset).

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. Loans and receivables are accounted at amortized cost using the effective interest method.

Gains or losses from changes in the fair value of "financial assets at fair value through profit or loss" are presented in the statement of income in "Finance result, net" in the period in which they arise.

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Dividends income from financial assets at fair value through profit or loss is recognized in the statement of income as part of other income when the Company's right to receive payments is established.

The fair values of the investments that are publicly quoted are based on current bid prices. If the market for a financial asset (and for unlisted securities) is not active, the Company and its subsidiaries establish fair value by using valuation techniques. These techniques include the use of recent arm's length transactions, the reference to other substantially similar instruments, discounted cash flow analysis and option pricing models that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

The Company and its subsidiaries assess at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.5.4 Impairment of financial and non-financial assets

The Company and its subsidiaries assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurs after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The non-financial assets that are subject to amortization are reviewed for impairment by management whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less costs to sell and its value in use.

2.6 Derivative financial instruments and hedging activities

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

Changes in the fair value of derivative instruments are recognized immediately in the statement of income in "Finance income and costs, net". The fair values of various derivative instruments used for hedging purposes are disclosed in Note 4.3.

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2.7 Trade accounts receivable

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Usually, in practice, they are recognized at the amount billed, adjusted by the provision for impairment, when necessary. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.8 Inventories

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

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

2.9 Judicial deposits

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

2.10 Other assets

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

2.11 Intangible assets

(a) Software

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

2.12 Property and Equipment

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

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

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

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Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as presented in Note 11.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. During the year ended December 31, 2013, the Company reviewed the useful lives of property and equipment and concluded that they are adequate. An asset's book value is written down immediately to its recoverable amount when the asset's carrying amount is greater than its estimated recoverable amount.

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

2.13 Debts

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

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

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

2.14 Provisions

Provisions for legal claims (labor, civil and indirect taxes) are recognized when the Company and its subsidiaries have a present legal obligation, it is likely that assets will be surrendered to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

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

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

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2.15 Current and deferred income tax and social contribution

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

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

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

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

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

2.16 Employee benefits

(a) Pension obligations

The Company and its subsidiaries have entered into an agreement with ODEPREV - Odebrecht Previdência ("ODEPREV"), a private pension fund established by the parent company ODB, as sponsoring companies.

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

In relation to the benefit payments due under the plan, the ODEPREV obligations are limited to the total value of the participants' quotas and, in conformity with the rules of the defined contribution plan, the sponsoring entities have no obligations or responsibilities to guarantee minimum levels of benefits to the retired participants. The contributions of the Company and its subsidiaries in the years ended December 31, 2013 and 2012 were R\$ 52,616 – US\$ 22,461 and R\$ 47,717, respectively.

Management analyzed the plan and concluded that it is a defined contribution plan where the risk of receiving benefits is the responsibility of participants in accordance with CPC 33 - Employee Benefits.

2.17 Capital

Common and preferred shares are classified as equity.

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

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When a company of the Organization purchases shares of the Company (treasury shares), the amount paid, including any additional costs that are directly attributable (net of taxes), is deducted from the equity attributable to the Company's stockholders until the shares are cancelled or reissued. When these shares are reissued, any amount received is reduced by any additional costs of the transaction and directly attributable to the respective effects of income tax and social contribution and is included in the equity attributable to the Company's stockholders.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the activities of the Company and its subsidiaries. Revenue is shown net of taxes, returns, rebates and discounts and after eliminating sales between the consolidated companies.

The Company and its subsidiaries recognize revenue when the amount thereof can be reliably measured, it is probable that future economic benefits will be obtained and when specific criteria have been met for each of the activities of the Company and its subsidiaries.

The Company and its subsidiaries base their estimates on historical data, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Revenue from construction contracts

Revenue from construction contracts is recognized based on the percentage of completion of each contract on the date of the consolidated financial statements. The method used to determine the percentage of completion takes into consideration the proportion between the costs incurred in the services provided to that date, and the total costs estimated for the contract.

When revenue from construction contracts cannot be reliably measured in relation to the work performed using this method, the Company and its subsidiaries take into consideration an estimate of the work performed for the purposes of determining revenue.

The amounts received on construction contracts that exceed allocated revenue are recorded in the advances from customers account in current and non-current liabilities, in accordance with the contract term. The amounts received on construction contracts that are less than allocated revenue are recorded as trade accounts receivable in current and non-current assets, in accordance with the contract term.

Trade accounts receivable and advances from customers are offset for the same customer and the net amount is presented in the balance sheet, reflecting the essence of operations and how management monitors the customers' portfolio and realize related assets and liabilities. On December 31, 2013, the amount offset was R\$ 112,064 – US\$ 47,837 (2012 – R\$ 192,485).

(b) Interest income

Interest income is recognized on the accrual basis, using the effective interest method.

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2.19 Dividends and interest on capital

Payment of dividends and interest on capital to the Company's stockholders is recognized as a liability in the financial statements at the end of the year in accordance with the Company's bylaws. Any amount exceeding the minimum mandatory dividend is provided on the date it is approved by the stockholders at the Stockholders' Meeting.

2.20 New standards and interpretations of standards that are not yet in effect

The following new standards and interpretations to standards were issued by IASB but are not effective for 2013. The early adoption of these standards, even though encouraged by IASB, has not been allowed in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

. IFRIC 21 - "Levies". The interpretation provides guidance on when an entity must recognize a liability for a levy in accordance with legislation. The liability must be recognized only when the event that triggers it takes place. This interpretation standard is applicable as from January 10, 2014.

. IFRS 9 - "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and it replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is made for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in the statement of income, unless this creates an accounting mismatch. The Company and its subsidiaries are yet to assess IFRS 9's full impact. The standard is applicable as from January 10, 2015.

The Company analyzed these standards and concluded that they will not have material effect on the consolidated financial statements.

2.21 Basis of translation

The accounting records are maintained in reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the December 31, 2013 local currency financial statements, using the exchange rate prevailing on that date of R\$ 2.3426 to US\$ 1.00. This translation should not be construed as representing that the amounts in Brazilian reais represent, or have been, or could be, converted into U.S. dollars.

3 Critical Accounting Estimates and Judgments

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

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3.1 Critical accounting estimates and assumptions

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

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

(a) Fair value of derivatives and other financial instruments

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

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

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

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

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

(c) Revenue recognition

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

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

(d) Joint arrangements

The Company and its subsidiaries have joint control of certain contractual agreements, which require agreement among the participants of the contract in decisions that configure control. The evaluation of these contracts to determine the existence of joint control, according to CPC 19 (R2), involves subjectivity and judgment.

Contractual agreements which give to the Company or its subsidiaries, and other participants of the contract, rights to net assets of special purpose entities are recorded using the equity method. Contractual agreements that represent rights to assets and obligations for the liabilities are treated as joint operations. Such assets and liabilities as well as revenues and expenses related to their interests are directly recognized in the financial statements of the Company and its subsidiaries.

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4 Financial Risk Management

4.1 Financial risk factors

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

Risk management is carried out under policies approved by the Board of Directors. The purpose of risk management is to protect the cash flows of the Company and its subsidiaries and reduce the threats to the financing of their operating working capital and investment programs.

(a) Foreign exchange risk

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

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

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

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

The Company and its subsidiaries manage their exposure to foreign exchange rates through a mix of cash flows in foreign currencies, foreign currency denominated debt, investment in foreign currencies and derivatives. The policy of the Company and its subsidiaries to manage foreign exchange risks provides for maximum and minimum limits that must be followed and which are constantly monitored by management.

(b) Interest rate risk

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

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

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

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

(c) Price index risk

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

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

(d) Credit risk

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

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

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

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

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

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

As a way of mitigating the risk of default, the Company and its subsidiaries are protected, in the provision of engineering and construction services, by regular prepayments from customers, which in the year ended December 31, 2013 amounted to R\$ 1,212,148 – US\$ 517,437 (2012 - R\$ 2,684,644).

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At December 31, 2013, the Company and its subsidiaries had overdue accounts receivable amounting to R\$ 325,620 – US\$ 138,999 (2012 - R\$ 446,188) for services rendered to Brazilian government entities, mainly state and municipal.

Historically, the Company and its subsidiaries have collected the amounts owed by these entities, including those overdue for one year or more. The collection of these overdue amounts occurs through payment or the receipt of government bonds or other assets.

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

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

(e) Liquidity risk

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

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

4.2 Capital management

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

		2013	2012
	US\$		R\$
Total debts (Note 12)	221,676	519,299	828,201
Less: cash and cash equivalents (Note 6)	(3,801,205)	(8,904,704)	(6,649,321)
Net debt	(3,579,529)	(8,385,405)	(5,821,120)
Total equity	2,861,487	6,703,324	5,900,380
Total capital	(718,042)	(1,682,081)	79,260
Index of financial gearing - %	N/A	N/A	N/A

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

4.3 Derivative financial instruments

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

The Financial Policy of the Company and its subsidiaries provides for a continuous short-term hedging program for foreign exchange rate risk arising from their operations and financial items. The other market risks are addressed on a case-by-case basis for each operation.

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

At December 31, 2013, the Company and its subsidiaries had derivative contracts amounting to R\$ 1,916,401 – US\$ 818,065 (2012 – R\$ 2,468,477).

(i) Use of other instruments

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

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

The Company and its subsidiaries do not operate derivative financial instruments for speculative purposes. At December 31, 2013 and 2012, the Company and its subsidiaries had no transactions of this type.

(ii) Other information on derivative financial instruments

All derivative financial instruments held at December 31, 2013 and 2012 were contracted at an over-the-counter market with large financial counterparties under global derivative contracts in Brazil or abroad.

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

The fair value of derivatives is obtained:

- (a) from public sources when the derivative is traded on exchanges;
- (b) through discounted cash flow models when the derivative is a forward purchase or sale or a swap contract; and
- (c) through valuation models of options contracts, such as the Black-Scholes model when the derivative has the characteristics of an option.

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

At December 31, 2013 and 2012, the Company and its subsidiaries did not have derivatives that required non-observable assumptions to calculate their fair value.

The table below shows the transactions with derivatives of the Company and its subsidiaries existing at December 31, 2013. The “Changes in fair value” column shows the changes in the fair value of derivatives for the year ended December 31, 2013; the “Settlements in 2013” column shows the effect recognized in finance income and costs associated with the settlements of derivatives for the year ended December 31, 2013. The “Total effect on profit or loss” column represents the effects of the changes in the value of derivatives (changes in the fair value and settlements) on the Company’s statement of income.

Instrument	Notional		First settlement date	Maturity	Fair value at December 31, 2013		Fair value at December 31, 2012	Changes in fair value	Settlements in the year 2013		Total effect on the result	
	US\$	R\$			US\$	R\$			US\$	R\$	US\$	R\$
NDF USDBRL	114,489	268,201	Jan/13	Oct/16	123	289	3,276	(2,987)	(1,021)	(2,391)	(2,296)	(5,378)
NDF USDPEN	209	490	Jan/13	Feb/14	(16)	(38)	28	(66)	(1,365)	(3,197)	(1,393)	(3,263)
DF USDPEN	29,212	68,432	Jan/13	Jul/14	(1,215)	(2,846)		(2,846)	(2,244)	(5,256)	(3,459)	(8,102)
NDF USDJPY	28,269	66,224	Feb/13	Dec-15	(6,505)	(15,238)	(3,511)	(11,727)	(131)	(308)	(5,137)	(12,035)
NDF USDCOP			Jan/13	Jan-13			(367)	367	(158)	(369)	(1)	(2)
NDF EURUSD	12,000	28,111	Jan/13	Jan-14	(43)	(101)		(101)	(869)	(2,035)	(912)	(2,136)
DF EURUSD	1,932	4,527	Jan/13	Jun/14	55	129		129	76	178	131	307
Swaps LIBOR	259,834	608,688	Jul/13	Nov/19	(5,537)	(12,972)	(18,269)	5,297	(3,691)	(8,646)	(1,430)	(3,349)
Swaps USDBRL	213,438	500,000	Oct/13	Apr/18	(60,334)	(141,340)		(141,340)	6,056	14,186	(54,280)	(127,154)
Swaps USD x DI	158,280	370,787	Oct/13	Jan-14	288	675		675	5,885	13,787	6,173	14,462
Options EURUSD	402	941	Jan/13	Jun/14	(2)	(4)	(117)	113	(84)	(197)	(36)	(84)
	818,065	1,916,401			(73,186)	(171,446)	(18,960)	(152,486)	2,454	5,752	(62,640)	(146,734)

At December 31, 2013, the fair value of transactions with derivative financial instruments whose balance is payable, amounting to R\$ 159,067 – US\$ 67,902 (2012 - R\$ 22,264), is recorded as “Other accounts payable” in current liabilities, and of transactions with derivative financial instruments whose balance is receivable, amounting to R\$ 6,581 – US\$ 2,809 (2012 – R\$ 3,304), is recorded as “Other accounts receivable” in current assets.

4.4 Sensitivity analysis

The derivative financial instruments may be subject to changes in their fair value as a result of the variation in foreign exchange rates, interest rates, price indexes and other variables. The sensitivity of the derivative financial instruments to these variables is presented below:

(a) Selection of risks

Management selected the six market risks that may most affect the value of the derivative financial instruments held by the Company and its subsidiaries, namely: a) Brazilian real-U.S. dollar exchange rate; b) Peruvian New Sol-U.S. dollar exchange rate; c) Japanese yen-U.S. dollar exchange rate; d) Euro-U.S. dollar exchange rate; e) Libor floating interest rate; and f) Interbank Deposit (DI) floating interest rate.

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For the purposes of the risk sensitivity analysis, the Company and its subsidiaries present the exposures to currencies and interest rates as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in interest rates that could be indirectly influenced by it.

(b) Selection of scenarios

The sensitivity analysis includes three scenarios, one of which is probable and the other two represent adverse effects for the Company and its subsidiaries. In the preparation of the adverse scenarios, only the impact of the variables on the derivative financial instrument was considered. The overall impacts on the Company's operations, such as those arising from the revaluation of inventories and future revenue and costs, were not considered.

Since the Company and its subsidiaries manage their exposure to foreign exchange rate risk on a net basis, adverse effects from a depreciation of the Brazilian real in relation to the U.S. dollar can be offset by opposing effects on their operating results.

As a probable scenario, the future curves of the Brazilian real-U.S. dollar exchange rate, the Peruvian New Sol-U.S. dollar exchange rate, the Japanese yen-U.S. dollar exchange rate, the Euro-U.S. dollar exchange rate, the Colombian peso-U.S. dollar exchange rate and the Libor rate at December 31, 2013, disclosed by Bloomberg, were considered.

A 25% increase in the future curve quote disclosed by Bloomberg on December 31, 2013 for the Brazilian real-U.S. dollar, Peruvian New Sol-U.S. dollar, Japanese yen-U.S. dollar and Euro-U.S. dollar exchange rates was considered for the possible adverse scenario and 50% for the extreme adverse scenario.

A 25% decrease in the future curve quote disclosed by Bloomberg on December 31, 2013 for the Colombian peso-U.S. dollar and Libor interest rate was considered for the possible adverse scenario and 50% for the worst-case scenario.

(c) Sensitivity to the Brazilian real-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Brazilian real-U.S. dollar exchange rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Worst-case adverse (50%)
NDF USDBRL	289	(3,442)	(5,929)
Swaps USDBRL	(141,340)	(247,684)	(310,998)
Swaps USD x DI	675	675	675
	(140,376)	(250,451)	(316,252)
Instrument	US\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDBRL	123	(1,469)	(2,531)
Swaps USDBRL	(60,334)	(105,730)	(132,758)
Swaps USD x DI	288	288	288
	(59,923)	(106,911)	(135,001)

(d) Sensitivity to the Peruvian New Sol-U.S. dollar exchange rate

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The sensitivity of each derivative financial instrument to the variation in the Peruvian New Sol-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
NDF USDPEN	(38)	(128)	(188)
DF USDPEN	(2,846)	(15,963)	(24,708)
	(2,884)	(16,091)	(24,896)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDPEN	(16)	(55)	(80)
DF USDPEN	(1,215)	(6,814)	(10,547)
	(1,231)	(6,869)	(10,627)

(e) Sensitivity to the Japanese yen-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Japanese yen-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
NDF USDJPY	(15,238)	(25,435)	(32,233)
	(15,238)	(25,435)	(32,233)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDJPY	(6,505)	(10,858)	(13,759)
	(6,505)	(10,858)	(13,759)

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(f) Sensitivity to the Euro-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Euro-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
NDF EURUSD	(101)	(7,154)	(14,207)
DF EURUSD	129	(1,035)	(2,199)
Options EURUSD	(4)	(14)	(14)
	24	(8,203)	(16,420)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF EURUSD	(43)	(3,054)	(6,065)
NDF EURUSD	55	(442)	(939)
Options EURUSD	(2)	(6)	(6)
	10	(3,502)	(7,010)

(g) Sensitivity to the Libor floating interest rate

The sensitivity of each derivative financial instrument to the Libor interest rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
Swap LIBOR	(12,972)	(15,109)	(17,244)
	(12,972)	(15,109)	(17,244)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
Swap LIBOR	(5,537)	(6,450)	(7,361)
	(5,537)	(6,450)	(7,361)

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(h) Sensitivity to the DI floating interest rate

The sensitivity of each derivative financial instrument to the DI interest rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Worst-case adverse (50%)
Swaps USD x DI	675	675	675
	675	675	675
	US\$		
Instrument	Probable	Possible adverse (25%)	Worst-case adverse (50%)
Swaps USD x DI	288	288	288
	288	288	288

5 Financial Instruments by Category

	Loans and receivables	Assets measured at fair value through profit or loss	Total R\$	Total US\$
December 31, 2013				
Assets, according to the balance sheet				
Derivative financial instruments		1,093	1,093	466
Trade accounts receivable and other accounts receivable (i)	10,156,933		10,156,933	4,335,755
Financial investments		931	931	397
Cash and cash equivalents	8,904,704		8,904,704	3,801,205
	19,061,637	2,024	19,063,661	8,137,823
	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total R\$	Total US\$
December 31, 2013				
Liabilities, according to the balance sheet				
Financing and lease obligations (ii)		519,299	519,299	221,676
Derivative financial instruments	172,539		172,539	73,652
Trade and other accounts payable, excluding legal obligations (iii)		6,705,000	6,705,000	2,862,204
	172,539	7,224,299	7,396,838	3,157,532

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	Loans and receivables	Assets measured at fair value through profit or loss	Total R\$
December 31, 2012			
Assets, according to the balance sheet			
Derivative financial instruments		3,304	3,304
Trade accounts receivable and their accounts receivable (i)	7,847,561		7,847,561
Financial investments		120,391	120,391
Cash and cash equivalents	6,649,321		6,649,321
	<u>14,496,882</u>	<u>123,695</u>	<u>14,620,577</u>
	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total R\$
December 31, 2012			
Liabilities, according to the balance sheet			
Financing and lease obligations (ii)		828,201	828,201
Derivative financial instruments	22,264		22,264
Trade and other accounts payable, excluding legal obligations (iii)		4,231,583	4,231,583
	<u>22,264</u>	<u>5,059,784</u>	<u>5,082,048</u>

- (i) Prepayments are excluded from the balance of "Trade accounts receivable and other accounts receivable" since the analysis is required only for financial instruments.
- (ii) The categories in this disclosure are determined by CPC 38. Thus, the finance leases were presented together with financing.
- (iii) The obligations arising from legislation are excluded from the balance of suppliers since the analysis is required only for financial instruments.

6 Cash and Cash Equivalents

	2013	2012
	US\$	R\$
Cash and banks	1,368,276	3,205,323
Short-term deposits	2,432,929	1,710,964
	<u>3,801,205</u>	<u>4,938,357</u>
	<u>8,904,704</u>	<u>6,649,321</u>

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7 Trade Accounts Receivable

	2013		2012
	US\$		R\$
Government entities			
Federal	2,604,252	6,100,721	4,231,809
State	203,996	477,880	150,854
Municipal	192,692	451,400	519,093
	<u>3,000,940</u>	<u>7,030,001</u>	<u>4,901,756</u>
Private sector	827,344	1,938,137	1,780,336
	<u>3,828,284</u>	<u>8,968,138</u>	<u>6,682,092</u>
(-) Current assets	3,454,689	8,092,954	5,985,193
Non-current assets	<u>373,595</u>	<u>875,184</u>	<u>696,899</u>

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

The balances of trade accounts receivable were calculated taking into consideration the contractual terms, specific portfolio risks and negotiations in progress, including administrative and judicial collection processes, in order to recover amounts due for services rendered, including financial charges.

Trade accounts receivable at December 31, 2013 include R\$ 94,039 – US\$ 40,143 (2012 - R\$ 237,874) of overdue receivables from government entities under judicial collection, the major part of which has received favorable decisions, and R\$ 231,581 – US\$ 98,856 (2012 – R\$ 208,314) of overdue receivables, which the Company and its subsidiaries are attempting to collect through administrative actions with the debtors.

Taking into consideration the history of minimal losses that the Company and its subsidiaries have incurred, management does not expect losses on the realization of such receivables and believes that, as a result of these actions, the recognition of amounts in addition to those recorded may occur when sufficient evidence exists to support a reasonable expectation that the corresponding amounts will be received.

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8 Taxes Recoverable

	2013		2012
	US\$		R\$
Current assets			
Social contributions recoverable			4,594
Withholding IR, CSL from invoicing and withholding IR on earnings from financing investments	96,062	225,036	194,622
Withholding PIS and COFINS from invoicing	24,302	56,927	69,021
Prepaid Income Tax by overseas branches and subsidiaries	140,410	328,925	299,907
Foreign branches/ subsidiaries value added tax:			
Construtora Norberto Odebrecht S.A. - Venezuela	1,265	2,963	41,203
Construtora Norberto Odebrecht S.A. - Argentina	3,483	8,160	10,648
Other taxes recoverable	98,812	231,478	83,932
	364,334	853,489	703,927
Non-current assets			
Other taxes recoverable (*)	8,748	20,492	24,360
	8,748	20,492	24,360

(*) Refers mainly to withholding tax of the indirect subsidiary OLEX.

9 Inventories

	2013		2012
	US\$		R\$
Raw materials	3,824	8,958	7,593
Materials to be used in construction works	309,220	724,378	699,981
Marketable properties	4,262	9,983	36,293
Imports and exports in progress	58,250	136,456	92,963
In transit inventories	29,295	68,626	54,249
Advances to suppliers	172,370	403,798	301,660
	577,221	1,352,199	1,192,739

10 Investments

(a) Information on the investees

At December 31, 2013 and 2012, the balance of the investments in associates mainly relate to the indirect holding in Braskem S.A. through the investees Belgrávia and Odebrecht Serviços e Participações S.A. ("OSP"), which is recorded using the equity method.

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(i) Main information

	OSP	
	2013	2012
Number of shares hold - preferred	737,328,531	737,328,531
Direct holding (%)	41.47	41.47
Stockholder's equity - (In thousand of R\$)	2,322,614	2,698,777
Stockholder's equity - (In thousand of US\$)	991,468	
	Year ended December 31,	
	2013	2012
Net income (loss) for the year - (In thousand of R\$)	166,367	(332,050)
Net income (loss) for the year - (In thousand of US\$)	71,018	

(ii) Changes in the investments in an associate - OSP

	Year ended December 31,	
	2013	2012
	US\$	R\$
Balance at the beginning of the year - OSP	477,752	1,119,183
Carrying value adjustments	(96,042)	(224,987)
Equity in results	29,451	68,992
Balance at the end of the year - OSP (*)	411,161	963,188
Others	257,984	604,352
Total associated Companies	669,145	1,567,540

(*) The balance of other investments in associates is mainly represented by the interests held by the Company in investees, which are recognized using the equity method due to the adoption of CPC 19 (R2). On December 31, 2013, the effect of equity in the results of investees recognized in the statement of income amounts to R\$ 476,526 – US\$ 203,418 (2012 – R\$ 188,353 restated), and it's mainly related to the investments held by the Company in IRSA's 2, 3 and Norte ans Concessionária Traspase Olmos in Peru; Concessionaria Ruta del Sol in Colombia; Itaguaí Construções Navais in Brazil; Sociedade Mineira de Catoca Ltda. in Angola; and Etileno XXI in Mexico.

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11 Property and Equipment

	Land	Buildings and installations	Machinery and equipment	Vehicles and ships	Furniture and fixtures	IT equipment	Cons
Cost	41,571	439,455	2,256,083	529,623	139,160	93,716	
Acumulated depreciation		(84,261)	(1,331,303)	(317,846)	(45,707)	(55,733)	
At December 31, 2012	41,571	355,194	924,780	211,777	93,453	37,983	
Additions	176	91,801	458,886	111,244	60,444	29,240	
Corporate events (i)			(22,309)				
Disposals	(10,497)	(4,321)	(217,300)	(2,970)	(14,403)	(8,155)	
Transfers		(180)	3,969	12,764		(1)	
Depreciation		(44,579)	(325,631)	(34,390)	(14,144)	(13,890)	
Exchange variation	6,037	46,303	140,125	23,510	7,873	1,736	
	37,287	444,218	962,520	321,935	133,223	46,913	
Cost	37,287	573,058	2,619,454	674,171	193,074	116,536	
Acumulated depreciation		(128,840)	(1,656,934)	(352,236)	(59,851)	(69,623)	
At December 31, 2013 - R\$	37,287	444,218	962,520	321,935	133,223	46,913	
At December 31, 2013 - US\$	15,917	189,626	410,877	137,426	56,870	20,026	
Annual depreciation rates (%)		4	up to 17	25	10	20	

(i) Refers to the acquisition of OEP's total shares and the disposal of Atlanta's total shares (Note 1).

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12 Debts

Financial institution/type of loans	Currency	Annual financial charges
RBS-ABN Amro Bank	US\$	Libor + 0.275% + EV
Banesco	US\$ / VEF	7.00% to 8.00% + EV
Landesbank Baden	US\$ / €	Libor + 2.025% + EV / Euribor + 2.375% + EV
JP Morgan	US\$	7.00% + EV
Bancolombia	COP	7.50% + EV
Interbank	US\$	4.28% to 4.87% + EV
Banco de Venezuela	VEF	14.00% + EV
Banco Mercantil de Venezuela	VEF	11.00% + EV
Bancaribe	VEF	12.00% to 14.00% + EV
BBVA Trade Finance	US\$	4.04% + EV
Banco Exterior	VEF	17.00% + EV
IKB Deutsche Bank	US\$	Libor + 0.95% + EV
Banco del Sur	VEF	14.00% to 16.00% + EV
Banco de Bogota	COP	DTF + 4.00% + EV
Banco de Credito del Peru	US\$	4.17% to 4.64% + EV
Banco Alfa	R\$	Fixed interest 8.70%
CAT Financial	R\$	115.00% CDI
Banco Mercedes	R\$	Fixed interest 8.34% to 10.00%
Banco Votorantim	R\$	Fixed interest 8.70% to 10.00%
Banco ABC	R\$	Fixed interest 2.50% to 10.00%
FINEP	R\$	Fixed interests 5.25%
Banco Santander	US\$	Libor + 3.90% to 4.50% + EV
Itaú-Unibanco	R\$	Fixed interest 8.70% to 18.86%
Banco Industrial	R\$	Fixed interest 3.00%
Banco HSBC	R\$	Fixed interest 8.70% to 19.28%
Caixa Econômica Federal	R\$	Fixed interest 2.50% to 5.50%
Banco Pine	R\$	Fixed interest 5.50%
Several foreign financial institutions	US\$ / €	4.50% to 6.00% + EV / Euribor + 5.00% to 7.00% + EV
Several Brazilian financial institutions	R\$ / US\$	5.50% to 13.60% / Libor + 1.20% + EV

(-) Non-current liabilities

Current liabilities

Abbreviations:

CDI - Interbank Certificate Deposit
 EV - Exchange variation
 LIBOR - London Interbank Offered Rate
 COP - Colombian Peso
 US\$ - American dollar
 R\$ - Brazilian reais

VEF - Venezuelan Bolivares
 FINEP - Financing of Development and Projects
 Euribor - Euro Interbank Offered Rate
 DTF - Deposits to Fixed Terms Rate
 € - Euro

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

	2013		2012
	US\$	R\$	R\$
2014			230,674
2015	45,437	106,440	44,269
2016	38,386	89,924	43,272
2017	18,914	44,308	25,450
2018	12,226	28,641	17,747
2019	9,083	21,279	11,267
2020	2,386	5,590	4,125
2021	1,316	3,084	3,374
2022	551	1,291	
2023 and thereafter	65	149	
	128,364	300,706	380,178

The fair value of non-current loans are substantially similar as their carrying amount and are based on discounted cash flows.

The Company's loans were contracted in the following currencies:

	2013		2012
	US\$	R\$	R\$
Local currency (Reais)	70,145	164,322	176,690
Foreign currency (U.S. dollars)	118,072	276,596	363,157
Foreign currency (others)	33,459	78,381	288,354
	221,676	519,299	828,201

(i) Additional information on debts:

- (a) On June 28, 2012, OOL obtained with financial institutions in the international market a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 245,000, maturing in June 2015 and with financial charges equivalent to LIBOR plus a spread that varies according to the rating of the guarantor's debt. When the credit line is not being used, the charges are equivalent to 0.525% p.a. payable monthly. Since the date of the contract up to December 31, 2013, this credit line was not used.

On December 13, 2012, OOL obtained with financial institutions in the international market a new credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 605,000, maturing in December 2015 and with financial charges equivalent to LIBOR, plus a spread that varies according to the rating of the guarantor's debt. When the credit line is not being used, the charges are equivalent to 0.525% p.a. payable monthly. Since the date of the contract up to December 31, 2013, this credit line was not used.

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(ii) Guarantees

Odebrecht Finance Ltd. (“OFL”), a subsidiary of Odebrecht S.A. (“ODB”), completed the following funding operations of which the Company is the guarantor:

- On April 9, 2009, OFL placed US\$ 200,000 in bonds in the international financial markets. These bonds mature on April 9, 2014. On April 5, 2011, OFL repaid the amount of US\$ 156,116 of this funding through a Tender Offer.
- On October 21, 2009, OFL raised a further US\$ 500,000 in bonds in the international financial markets. These bonds mature on April 21, 2020 and have a repurchase option after five years. On November 5, 2012, OFL repaid US\$ 379,033 of this funding through a Tender Offer of the 2042 bonds, as described below, and on November 23, 2012, it repaid US\$ 2,375 in cash. On April 24, 2013, OFL repaid US\$ 35,695 through a Tender Offer by using the funds raised in the issue of the bonds maturing in 2018 and 2025, as mentioned below.
- On September 14, 2010, OFL completed another funding operation in the international financial markets raising US\$ 500,000 in Perpetual Bonds with a repurchase option after five years. On November 9, 2011, it raised a further US\$ 250,000 in Perpetual Bonds in the international financial markets under the same conditions as those of the original issue.
- On April 5, 2011, OFL raised a further US\$ 500,000 in bonds in the international financial markets. These bonds mature on April 5, 2023. This funding was used to partially repay the bonds that mature in 2014 and 2017, in the amounts of US\$ 156,116 and US\$ 287,162, respectively. On January 26, 2012, OFL raised US\$ 300,000 in 2023 bonds in the international financial markets under the same conditions as those of the original issue. On November 5, 2012 and November 21, 2012, OFL repaid US\$ 37,837 and US\$ 33,130, respectively, of this funding through a Tender Offer. On April 24, 2013, OFL repaid US\$ 597,595 through a Tender Offer of the 2042 bonds by using the funds raised in the issue of the bonds maturing in 2018 and 2025, as mentioned below. On May 9, 2013, OFL repaid an additional US\$ 10,957 in cash.
- On June 26, 2012, OFL raised US\$ 600,000 and US\$ 400,000 in bonds in the international financial markets. These bonds mature on June 26, 2022 and June 26, 2042, respectively. On November 1, 2012, OFL raised an additional US\$ 450,000 in 2042 bonds under the same conditions as those of the original issue. The funds raised from this issue were used to partially settle the bonds maturing in 2020 and 2023 for the amounts of US\$ 379,033 and US\$ 70,967, respectively. On December 3, 2013, OFL redeemed US\$ 9,850 of these Notes, paid in cash.
- On April 25, 2013, OFL, raised an additional R\$ 500,000 – US\$ 249,826 in bonds maturing in April 2018 in the international financial markets. The funds raised from this issue were used to partially settle the bonds maturing in 2020 and 2023 for the amounts of US\$ 35,695 and US\$ 597,595 respectively. The remaining balance will be used to settle general corporate debts and expenses.
- On April 25, 2013, OFL, raised an additional US\$ 550,000 in bonds maturing in April 2025 in the international financial markets. The funds raised from this issue were used to partially settle the bonds maturing in 2020 and 2023 for the amounts of US\$ 35,695 and US\$ 597,595, respectively. The remaining balance will be used to settle general corporate debts and expenses. From June to December, 2013, OFL repaid an additional US\$ 13,150 in cash.

The total balance, net of transaction costs, on December 31, 2013 is US\$ 3,143,530 (December 31, 2012 – US\$ 3,055,869). All bonds above are guaranteed by CNO.

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(iii) Covenants

Some financing agreements and issues of securities of the Company and its subsidiaries, and other Odebrecht organization companies of which the Company is a guarantor, have restrictive covenants that are being complied with.

13 Current and Deferred Income Tax and Social Contribution

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

(a) Recognition of deferred income tax and social contribution

The deferred tax asset and liability balances relate, substantially, to income tax and social contribution loss carryforwards and to temporary differences.

The breakdown of the deferred income tax and social contribution accounts on December 31, 2013 and 2012 is as follows:

(i) Income tax

				2013	2012
	On temporary differences	Deferred income and exchange variation	Tax loss carryforward	Other	Total
In R\$					
Non-current assets	247,475		2,199	112,360	362,034
Non-current liabilities		(90,285)		16,826	(73,459)
					123,636
In US\$					
Non-current assets	105,641		939	47,964	154,544
Non-current liabilities		(38,541)		7,183	(31,358)

(ii) Social contribution

				2013	2012
	On temporary differences	Deferred income and exchange variation	Accumulated social contribution tax losses	Other	Total
In R\$					
Non-current assets	86,597		3,208	(30,522)	59,283
Non-current liabilities		(31,962)		30,461	(1,501)
					33,052
In US\$					
Non-current assets	36,966		1,369	(13,029)	25,306
Non-current liabilities		(13,644)		13,003	(641)

(b) Recoverability of recorded deferred income tax and social contribution assets

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At December 31, 2013, the Company and its subsidiaries have deferred income tax and social contribution assets mainly related to temporary differences based on the realization of such differences supported by the forecast of future results.

This forecast includes, as basic assumptions, the continuing increase in the order backlog (portfolio of revenues already contracted by the Company and its subsidiaries) in recent years; the expectation of increased investments in Brazil's power and infrastructure sectors; as well as the recognition, for tax purposes, of the operating results of foreign subsidiaries on the applicable balance sheet date.

Additionally, the Company has realized and cumulatively reduced its net balance of deferred income tax and social contribution assets in the past three years.

(c) Foreign income tax

In the year ended December 31, 2013, the income tax expense incurred overseas is represented primarily by the taxes generated by operations of the Company in Angola R\$ 130,975 – US\$ 55,910 (2012 - R\$ 90,236), Argentina R\$ 75,110 – US\$ 32,063 (2012 - 82,580), Venezuela R\$ 367,605 – US\$ 156,922 (2012 – R\$ 305,779) and Peru R\$ 170,723 – US\$ 72,878 (2012 – R\$ 77,312).

(d) Tax incentives – corporate income tax

The Company, by means of the constitutive report No. 0219/2006, of October 9, 2006, issued by the Agência de Desenvolvimento do Nordeste - ADENE of the Ministry of National Integration, acquired the right to a benefit of a 75% reduction, until the base year 2016 (calendar year 2015), of the income tax otherwise payable on the profit arising from the branch established for the manufacturing and assembly of sea platforms for oil exploration contracted by Petrobras and PNBV. The manufacturing and assembly plant is established at Vila de São Roque de Paraguaçu, in the city of Maragogipe, State of Bahia.

(e) Provisional Measure No. 627 of 2013

On November 11, 2013, Provisional Measure (MP) No. 627 was published, revoking the Transition Tax System (RTT), among other provisions, and is effective as from 2015. This MP allows taxpayers to opt for its early adoption as a condition to eliminate potential tax effects, particularly those related to dividends and interest on capital paid before the date of the publication of this MP, as well as to the calculation of interest on capital and the measurement of relevant investments in subsidiaries and associates using the equity method. The Company analyzed the possible effects that could arise from the application of this new ruling and is waiting for the conversion of this Provisional Measure into Law so that it can decide on its early adoption.

14 Equity

(a) Capital

At December 31, 2013, capital amounts to R\$ 2,170,256 – US\$ 926,430 (2012 – R\$ 2,086,905), subscribed and paid up entirely by Brazilian individuals and legal entities and comprised 163,912,961 (2012 – 163,298,207) common shares and 119,248,213 (2012 – 118,800,974) preferred shares with no par value.

On December 20, 2012, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 9,698, from R\$ 2,096,603 to R\$ 2,086,905, without the cancellation of shares.

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As a result of this reduction, the investment held by the Company in CRM was transferred to ODB (Note 1 (i)).

On April 29, 2013, the Annual General Stockholders' Meeting approved the increase in the Company's capital of R\$ 89,545 – US\$ 38,225 by means of the capitalization of the total balance of the Legal Reserve without the issue of new shares.

On May 31, 2013, the Extraordinary General Stockholders' Meeting approved the increase in the Company's capital of R\$ 23,777 – US\$ 10,149, with the issue of 606,046 common shares and 440,904 preferred shares by means of the merger of OPIP's net assets (Note 1 (i)).

On August 30, 2013, the Extraordinary General Stockholders' Meeting approved the reduction in the Company's capital of R\$ 30,340 – US\$ 12,951, without the cancellation of the Company's shares, by means of the transfer of the shares of Atlanta to the stockholder ODB (Note 1 (i)).

On September 30, 2013, the Extraordinary General Stockholders' Meeting approved the increase in the Company's capital of R\$ 369 – US\$ 157, with the issue of 15,043 shares, 8,708 of which are common shares and 6,335 are preferred shares, by means of the transfer of 10,000 shares, representing 100% of the capital of MACOL (Note 1 (i)).

(b) Appropriation of net income

According to the Company's bylaws, appropriations of net income for the year, including the distribution of dividends, will be resolved upon the Annual General Stockholders' Meeting.

(i) Legal reserve

This reserve is established through the appropriation of 5% of net income for each year until the reserve equals 20% of total capital or until its balance, plus capital reserves, exceeds 30% of total capital.

In April 2013, the Annual General Stockholders' Meeting approved the capitalization of the Legal Reserve, amounting to R\$ 89,545 – US\$ 38,225 to increase the Company's share capital.

The Company's management will propose the capitalization of the legal reserve for an increase in the Company's capital to the Board of Directors at the Annual General Stockholders' Meeting.

(ii) Unrealized revenue reserve

This reserve was established based on unrealized profit according to items I and II of paragraph 1 of Article 197 of Brazilian Corporate Law, and the future realization of which will occur in accordance with this Law.

The Company's management resolved to distribute dividends amounting to R\$ 329,329 – US\$ 140.583 by means of the partial realization of the balance of the unrealized revenue reserves, which was recorded in "Other accounts payable" in current liabilities. This resolution will be ratified at the Annual General Stockholders' Meeting to be held in April 2014.

On December 31, 2013, the amount appropriated to the unrealized revenue reserve was R\$ 945,809 – US\$ 403,743 (2012 – 754,752).

(iii) Reserve for investments (statutory)

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This refers to the remaining balance of retained earnings until, together with the legal reserve, it reaches 100% of total capital, retained in order to meet the business growth projections established in the Company's investment plan according to the capital budget approved and proposed by the Company's management, ratified by the Annual General Stockholders' Meeting held on April 27, 2012, in accordance with Article 196 of Brazilian Corporate Law.

The amount appropriated to the reserve for investments in the year ended December 31, 2013 was R\$ 215,887 – US\$ 92,157.

(iv) Revenue reserve – tax incentives

In compliance with Law 11,638/07 and CPC 07 – Government grants and assistance, the amounts related to the tax incentive as described in Note 12 (d) were accounted for in the statement of income and subsequently allocated to the Revenue reserve – tax incentives. This reserve may only be used to increase capital or offset losses, as provided for in Article 545 of the Income Tax Regulations.

As a result of the changes introduced by Laws 11,638/07 and 11,941/09 and Provisional Measure 449/08, the balance of the tax incentives reserve was reclassified from capital reserve to revenue reserve.

(v) Reserve for future capital increase

The Company's management approved the constitution of this reserve, in the amount of R\$ 1,751,054, remaining from the net income for the years ended December 31, 2010 and 2009, after the distribution of dividends and transfers to the legal and investment reserves, in compliance with Article 199 of Law 11,638/07, which determines that the balance of revenue reserves cannot exceed the amount of capital. The purpose of this reserve is to increase capital in order to meet the needs of the expected volume of business and investments in the coming years.

(c) Carrying value adjustment

This account was established by Law No. 11,638/07 to record the amounts in equity that have not yet been recognized in the profit or loss for the year. The effects of these amounts on profit or loss for the year will be recognized upon their effective realization. The changes in this account in the years ended December 31, 2013 and 2012, were as follows:

	Year ended December 31,	
	2013	2012
	US\$	R\$
At the beginning of the year	194,284	455,131
Carrying value adjustments in investees	(111,490)	(261,176)
Exchange variation on foreign investments	58,408	240,745
At the end of the year	141,202	455,131

(d) Share rights

Preferred shares, which are non-voting, have priority in the event of capital reimbursement upon liquidation and, based on Law 10,303/01, the preferred and common shares have the same right with

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

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

regards to the receipt of dividends. All stockholders are assured an annual dividend of at least 25% of adjusted net income for the year, calculated in accordance with Brazilian Corporate Law.

The Company's management resolved to distribute minimum compulsory dividends for the year ended December 31, 2013 of R\$ 387,371 – US\$ 165,359, recorded in “Other accounts payable” in current liabilities. This distribution will also be ratified at the General Stockholders’ Meeting to be held in April, 2014.

The remaining portion of retained earnings was appropriated to the unrealized revenue reserve and reserve for investments.

15 Earnings per share

Basic earnings per share is calculated by means of the division of net income for the period attributable to the common and preferred stockholders of the Company by the weighted average number of common and preferred shares outstanding in the period.

	US\$	2013	2012
			R\$
Earnings for the year from continuing operations attributable to all Company's stockholders	696,251	1,631,036	885,339
Weighted average number of shares, per class (In thousands)			
Common shares	163,656	163,656	163,298
Preference shares	119,061	119,061	118,801
	<u>282,717</u>	<u>282,717</u>	<u>282,099</u>
Earnings per share			
Preferred and common shares	<u>2.463</u>	<u>5.769</u>	<u>3.138</u>

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

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

16 Service and sales revenue

The reconciliation of gross revenue from services and sales rendered with net revenue is as follows:

	Year ended December 31,		
	2013		2012
	US\$		R\$
Services revenues			
Domestic market	4,433,331	10,385,522	10,117,440
Foreign market	9,163,506	21,466,429	17,892,983
	<u>13,596,837</u>	<u>31,851,951</u>	<u>28,010,423</u>
Sales revenues			
Domestic market	456,453	1,069,286	880,970
Foreign market	3,098	7,258	1,325
	<u>459,551</u>	<u>1,076,544</u>	<u>882,295</u>
Taxes and contributions on services and sales	(274,387)	(642,779)	(516,393)
Net services and sales revenues	<u>13,782,001</u>	<u>32,285,716</u>	<u>28,376,325</u>

17 Finance result, Net

	Year ended December 31,		
	2013		2012
	US\$		R\$
Income from financial investments	109,639	256,841	466,237
Exchange variation expense	(585,219)	(1,370,933)	(1,068,463)
Exchange variation income (*)	509,759	1,194,162	702,442
Financial charges on debts	(137,475)	(322,050)	(188,993)
Bank commissions	(59,099)	(138,445)	(139,439)
Others, net	(209,207)	(490,089)	(458,949)
	<u>(371,602)</u>	<u>(870,514)</u>	<u>(687,165)</u>

(*) Refers mainly to the effects of the foreign exchange variation in the operations in Venezuela in the amount of R\$ 451,334 – US\$ 192,664, due to the change in the parity of the Venezuelan currency (Bolvares) in relation to the U.S. dollar, in the first quarter of 2013.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

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

18 Income Tax and Social Contribution Expense

	Year ended December 31,		
		2013	2012
	US\$		R\$
Deferred social contribution	37,954	88,912	20,455
Current social contribution	(23,693)	(55,503)	(53,793)
Others	251	587	(6,892)
Total - social contribution	<u>14,512</u>	<u>33,996</u>	<u>(40,230)</u>
Deferred income tax	121,885	285,527	56,947
Current income tax	(61,071)	(143,064)	(150,993)
Foreign income tax (branches and subsidiaries) - Current	(418,038)	(979,295)	(578,260)
Foreign income tax (branches and subsidiaries) - Deferred	43,138	101,055	(41,862)
Others	34	78	(48,005)
Total - income tax	<u>(314,052)</u>	<u>(735,699)</u>	<u>(762,173)</u>

19 Insurance coverage

Consistency in the approach to risks at the Odebrecht Organization is ensured by the Insurance and the Finance and Guarantees Policies ("Policies"), which establish the basic concepts, general guidelines and authority for contracting and administering insurance and guarantees, and for the relationship with the insurance market.

The Policies, which cover insurance and guarantees contracted through insurance companies, are: (i) complied with by ODB and its closely-held subsidiaries, (ii) used as a guideline in the preparation of the Policies of the listed companies controlled by ODB, and (iii) used as a reference in the voting of its representatives for the approval of similar policies in joint ventures or jointly-controlled companies.

OCS, a wholly-owned subsidiary of ODB, which has international experience and operates worldwide, in line with ODB, is responsible for applying the Policy and supporting risk management at the level of the Odebrecht Organization, ensuring contracting at adequate prices and appropriate coverage for each contract or venture in the engineering and construction segment.

In the years ended December 31, 2013 and 2012, the Policies were fully complied with. We are not aware of any risk covered by the Policies that has not been duly analyzed and mitigated, or of any loss event that has not been properly covered.

On December 31, 2013, the insurance coverage of the Company and its subsidiaries amounts to US\$ 44,740,825 – R\$ 104,809,857 (2012 – US\$ 42,530,318). The Company and its subsidiaries have Surety Bond operations, which, on December 31, 2013, amounted to US\$ 13,758,595 – R\$ 32,230,885 (2012 – US\$ 9,760,789).

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

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

20 Provisions for Tax, Labor and Civil Contingencies

- (i) On December 31, 2013, the Company and its subsidiaries have provisions of R\$ 83,989 – US\$ 35,853 (2012 - R\$ 77,595) recorded in current liabilities and R\$ 14,435 – US\$ 6,162 (2012 - R\$ 15,567) recorded in non-current liabilities to cover labor, tax and civil claims, which, in the opinion of management and its legal advisors, have a probable chance of unfavorable outcome.

In addition, the Company and its indirect subsidiary CBPO are defending labor and tax claims amounting to R\$ 282,926 – US\$ 120,774 (2012 – R\$ 261,452), as well as civil claims of R\$ 425,936 – US\$ 181,822 (2012 – R\$ 393,608), for which no provision for losses has been recorded because management and the legal advisors believe that the chances of losses arising from the final decision in these cases are possible.

In November 2009, the Company joined a tax debt refinancing program established by Law 11,941/09 and Provisional Measure No. 449/2008 in order to settle its tax liabilities by means of a special installment system for the payment of its tax and social security obligations. At June 30, 2011, the corresponding balance, amounting to R\$ 211,691, was divided into 161 monthly installments for the PAEX balance and 11 months for the other debts. The remaining balance at December 31, 2013 is equivalent to R\$ 48,782 – US\$ 20,824 (2012 – R\$ 57,046), and it is recorded in non-current liabilities at the amount of R\$ 37,121 – US\$ 15,846 (2012 – R\$ 45,826), and the remaining balance at the amount of R\$ 11,661 – US\$ 4,978 (2012 – R\$ 11,220) is recorded in “Taxes, fees, salaries and payroll charges” in current liabilities.

21 Related parties

(a) Odebrecht Organization Companies

Balance sheet

	Non-current assets	Non-current liabilities
Aqueduct Trading Services Co. Inc. ("Aqueduct")		92,685
ODB (i)	1,021,583	
Concessionária Trásvase Olmos ("OLMOS")	38,761	
OCS International Ltd. ("OCSI")		23,309
OCS		15,315
Odebrecht Peru Inversiones em Infraestrutura S.A. ("OPII")	26,660	
ONL Investments B.V.	10,524	
Biocom - Companhia de Bioenergia de Angola, Limitada. ("Biocom")	332,100	
Others	67,183	22,937
Balance at December 31, 2013 - R\$	<u>1,496,811</u>	<u>154,246</u>
Balance at December 31, 2013 - US\$	<u>638,953</u>	<u>65,844</u>
Balance at December 31, 2012 - R\$	<u>871,517</u>	<u>299,933</u>

(i) The balances of the Odebrecht Organization companies with ODB, ODB International Corporation (“ODBIC”), OFL and OSP are presented on a net basis and are offset against the main balances maintained by the Company amounting to R\$ 3,873,051 – US\$ 1,653,313.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

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

The main balances with the Organization Companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the Organization companies. The operations consist of lending of funds, assignments of credits and assumptions of obligations and are not subject to financial charges.

(b) Current accounts with consortium members

On December 31, 2013, the Company has accounts receivable related to a current account with consortium members from Odebrecht Serviços e Participações S.A. ("OSP"), amounting to R\$ 92,917 – US\$ 39,664 (2012 – R\$ 87,015), related to the construction works of UHE Santo Antonio.

(c) Main balances and transactions

	Current assets	Current liabilities	Non-current liabilities
Braskem	52,252	20,000	
Estaleiro Enseada do Paraguaçu	61,775	48,127	
Odebrecht Properties	45,165	16,425	35,327
ODB		743,491	
Balance at December 31, 2013 - R\$	<u>159,192</u>	<u>828,043</u>	<u>35,327</u>
Balance at December 31, 2013 - US\$	<u>67,955</u>	<u>353,472</u>	<u>15,080</u>
Balance at December 31, 2012 - R\$	<u>45,737</u>	<u>103,249</u>	

22 Restatement of comparative balances for adoption of CPC 19 (R2)

CPC 19 (R2) – "Joint arrangements" provides for two types of joint arrangements: (i) joint operations - arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses; and (ii) joint ventures - arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. The proportional consolidation method will no longer be permitted in cases of joint control. CPC 19 (R2) provides for the adoption of the equity method to accounting for the company's investments in jointly-controlled entities, instead of proportional consolidation.

This standard is applicable from January 1, 2013 and, for a better understanding of the retroactive effect of the application of CPC 19 (R2), a reconciliation of the balance sheet at January 1, 2012 and December 31, 2012 and the consolidated statement of income for the years ended December 31, 2012 is presented below:

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

In thousands of reais, unless otherwise indicated

(a) Reconciliation of the balance sheet at January 1, 2012

	Without application of CPC 19	Effect of companies excluded from consolidation	With the application of CPC 19		appli
Assets				Liabilities and equity	
Current assets				Current liabilities	
Cash and cash equivalents	6,708,484	(370,036)	6,338,448	Debits	7
Financial investments	41,780		41,780	Suppliers and subcontractors	2,7
Trade accounts receivable	4,179,320	(313,707)	3,865,613	Taxes, rates, salaries and payroll charges	1,6
Advances to suppliers, subcontractors and others	998,823	(95)	998,728	Management profit sharing	
Taxes recoverable	440,122	(6,470)	433,652	Provisions for tax, labor and civil contingencies	
Inventories	655,039	(1,436)	653,603	Advances from customers	3,1
Current accounts with consortium members	505,120		505,120	Current accounts with consortium members	3
Prepaid expenses	262,306	(5,789)	256,517	Other accounts payable	8
Other accounts receivable	670,009	(70,660)	599,349		
	<u>14,461,003</u>	<u>(768,193)</u>	<u>13,692,810</u>		
Non-current assets				Non-current liabilities	
Long-term receivables				Odebrecht Organization companies	
Financial investments	80,805		80,805	Debits	
Odebrecht Organization companies	1,144,488	(8,079)	1,136,409	Advances from customers	5,1
Trade accounts receivable	544,052		544,052	Deferred income tax and social contribution	3
Deferred income tax and social contribution	272,804	(1)	272,803	Suppliers and subcontractors	
Taxes recoverable	10,549		10,549	Provisions for tax, labor and civil contingencies	
Other accounts receivable	559,960	(2,321)	557,639	Taxes payable in installments	
	<u>2,612,658</u>	<u>(10,401)</u>	<u>2,602,257</u>	Other accounts payable	6,4
Investments				Equity	
Associated companies	1,355,553	143,632	1,499,185	Capital	2,
Others	51,866		51,866	Revenue reserves	2,
Property and equipment	1,774,389	(40,009)	1,734,380	Carrying value adjustments	2
Intangible assets	73,007	(70)	72,937		4,8
	<u>5,867,473</u>	<u>93,152</u>	<u>5,960,625</u>	Non-controlling interest	
	<u>20,328,476</u>	<u>(675,041)</u>	<u>19,653,435</u>	Total liabilities and equity	<u>20,</u>

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

In thousands of reais, unless otherwise indicated

(b) Reconciliation of the balance sheet at December 31, 2012

	Without application of CPC 19	Effect of companies excluded from consolidation	With the application of CPC 19		appli
Assets				Liabilities and equity	
Current assets				Current liabilities	
Cash and cash equivalents	7,028,805	(379,484)	6,649,321	Debits	4
Financial investments	34,886		34,886	Suppliers and subcontractors	3,8
Trade accounts receivable	6,223,495	(238,302)	5,985,193	Taxes, rates, salaries and payroll charges	2,0
Advances to suppliers, subcontractors and others	1,441,171	(89)	1,441,082	Management profit sharing	
Taxes recoverable	709,920	(5,993)	703,927	Provisions for tax, labor and civil contingencies	
Inventories	1,194,777	(2,038)	1,192,739	Advances from customers	3,9
Current accounts with consortium members	1,164,202	(11,433)	1,152,769	Current accounts with consortium members	3
Prepaid expenses	518,702	(3,000)	515,702	Other accounts payable	2
Other accounts receivable	578,573	(5,893)	572,680		10
	<u>18,894,531</u>	<u>(646,232)</u>	<u>18,248,299</u>		
Non-current assets				Non-current liabilities	
Long-term receivables				Odebrecht Organization companies	
Financial investments	85,505		85,505	Debits	
Odebrecht Organization companies	871,517		871,517	Advances from customers	6,4
Trade accounts receivable	703,325	(6,426)	696,899	Deferred income tax and social contribution	2
Deferred income tax and social contribution	157,384	(696)	156,688	Suppliers and subcontractors	
Taxes recoverable	25,505	(1,145)	24,360	Provisions for tax, labor and civil contingencies	
Other accounts receivable	604,333	(8,240)	596,093	Taxes payable in installments	2
	<u>2,447,569</u>	<u>(16,507)</u>	<u>2,431,062</u>	Other accounts payable	7,8
Investments				Equity	
Associated companies	1,356,817	201,747	1,558,564	Capital	2,
Others	23,026		23,026	Revenue reserves	3,
Property and equipment	1,855,672	(35,289)	1,820,383	Carrying value adjustments	4
Intangible assets	52,379	(55)	52,324		5,8
	<u>5,735,463</u>	<u>149,896</u>	<u>5,885,359</u>	Non-controlling interest	5,5
Total assets	<u>24,629,994</u>	<u>(496,336)</u>	<u>24,133,658</u>	Total liabilities and equity	<u>24,</u>

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Condensed Interim Consolidated Financial Statements at December 31, 2013

In thousands of reais, unless otherwise indicated

(c) Reconciliation of the statement of income year ended December 31, 2012

	Without application of CPC 19	Effect of companies excluded from consolidation	With the application of CPC 19
Continuing operations			
Net service revenues	28,713,099	(336,774)	28,376,325
Cost of services rendered	(24,275,892)	267,627	(24,008,265)
Gross profit	4,437,207	(69,147)	4,368,060
Operating expenses			
General and administrative expenses	(1,912,442)	11,017	(1,901,425)
Management remuneration	(75,283)		(75,283)
Operating profit	2,449,482	(58,130)	2,391,352
Results from investments			
Equity in the results of investees	(4,315)	70,575	66,260
Financial result			
Financial result, net	(651,202)	(35,963)	(687,165)
Other expenses			
Other expenses, net	(45,579)		(45,579)
Income before social contribution and income tax	1,748,386	(23,518)	1,724,868
Social contribution	(43,127)	2,897	(40,230)
Income tax	(771,051)	8,878	(762,173)
Net income for the year	934,208	(11,743)	922,465
Attributable to			
Company's stockholders	885,339		885,339
Non-controlling interest	48,869	(11,743)	37,126
	934,208	(11,743)	922,465
Basic and diluted net income per share from continuing operations attributable to stockholders at the end of the year (in R\$ per share)	3.138		3.138

* * *



Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors and Stockholders
Construtora Norberto Odebrecht S.A.

We have audited the accompanying consolidated financial statements of Construtora Norberto Odebrecht S.A. ("Company") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting practices adopted in Brazil, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

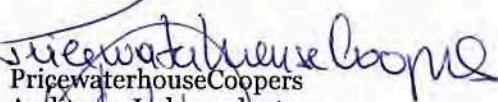


Construtora Norberto Odebrecht S.A.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Construtora Norberto Odebrecht S.A. and its subsidiaries as at December 31, 2012, and their consolidated financial performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Salvador, March 11, 2013


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" RJ


Fabio Carazeira Mendes
Contador CRC 1SP196825/O-0 "S" RJ

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Balance Sheets at December 31

In thousands of reais and U.S. dollars

	2012		2011	
	US\$		R\$	
Assets				Liabilities and equity
Current assets				Current liabilities
Cash and cash equivalents (Note 6)	3,439,591	7,028,805	6,708,484	Debts (Note 13)
Financial investments	17,072	34,886	41,780	Suppliers and subcontractors
Trade accounts receivable (Note 7)	3,045,508	6,223,495	4,179,320	Taxes, rates, salaries and payroll charges
Advances to suppliers, subcontractors and others	705,246	1,441,171	998,823	Management profit sharing
Taxes recoverable (Note 8)	347,404	709,920	440,122	Provisions for tax, labor and civil contingencies (Note 20 (i))
Inventories (Note 9)	584,672	1,194,777	655,039	Advances from customers
Current accounts with consortium members	569,710	1,164,202	505,120	Current accounts with consortium members
Prepaid expenses	253,830	518,702	262,306	Other accounts payable
Other accounts receivable	283,129	578,573	670,009	
	<u>9,246,162</u>	<u>18,894,531</u>	<u>14,461,003</u>	
Non-current assets				Non-current liabilities
Long-term receivables				Odebrecht Organization companies (Note 21)
Financial investments	41,842	85,505	80,805	Debts (Note 13)
Odebrecht Organization companies (Note 21)	426,483	871,517	1,144,488	Advances from customers
Trade accounts receivable (Note 7)	344,177	703,325	544,052	Deferred income tax and social contribution (Note 14 (a))
Deferred income tax and social contribution (Note 14 (a))	77,017	157,384	272,804	Suppliers and subcontractors
Taxes recoverable (Note 8)	12,481	25,505	10,549	Provisions for tax, labor and civil contingencies (Note 20 (i))
Eletrobras credits (Note 10)			267,284	Taxes payable in installments (Note 20 (i))
Other accounts receivable (Note 1 (i))	295,734	604,333	292,676	Other accounts payable
	<u>1,197,734</u>	<u>2,447,569</u>	<u>2,612,658</u>	
Investments				Equity
Associated companies (Note 11 (a))	663,967	1,356,817	1,355,553	Capital (Note 15 (a))
Others	11,268	23,026	51,866	Revenue reserves (Note 15 (b))
Property and equipment (Note 12)	908,085	1,855,672	1,774,389	Carrying value adjustments (Note 15 (c))
Intangible assets	25,632	52,379	73,007	
	<u>2,806,686</u>	<u>5,735,463</u>	<u>5,867,473</u>	Non-controlling interest
Total assets	<u>12,052,848</u>	<u>24,629,994</u>	<u>20,328,476</u>	Total liabilities and equity

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Statement of Income Years ended December 31

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

	2012		2011
	US\$		R\$
Continuing operations			
Net service revenues (Note 16)	14,050,942	28,713,099	21,522,731
Cost of services rendered	(11,879,565)	(24,275,892)	(17,905,393)
Gross profit	2,171,377	4,437,207	3,617,338
Operating expenses			
General and administrative expenses	(935,867)	(1,912,442)	(1,653,941)
Management remuneration	(36,841)	(75,283)	(29,524)
Operating profit	1,198,669	2,449,482	1,933,873
Results from investments			
Equity in the results of investees	(2,112)	(4,315)	(39,712)
Financial result			
Financial result, net (Note 17)	(318,670)	(651,202)	(503,705)
Other expenses			
Other expenses, net	(22,304)	(45,579)	(30,995)
Income before social contribution and income tax	855,583	1,748,386	1,359,461
Social contribution (Note 18)	(21,104)	(43,127)	(3,105)
Income tax (Note 18)	(377,319)	(771,051)	(437,500)
Net income for the year	457,160	934,208	918,856
Attributable to			
Company's stockholders	433,246	885,339	905,560
Non-controlling interest	23,914	48,869	13,296
	457,160	934,208	918,856
Basic and diluted net income per share from continuing operations attributable to stockholders at the end of the year (in R\$ and US\$ per share)	1.621	3.312	3.257

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

**Construtora Norberto Odebrecht S.A.
and its Subsidiaries**

**Consolidated Statement of Comprehensive Income
Years ended December 31**

In thousands of reais and U.S. dollars

	2012		2011
	US\$		R\$
Net income for the year	457,160	934,208	918,856
Other comprehensive income:			
Carrying value adjustment (Note 15 (c))	(931)	(1,903)	9,480
Exchange variation on foreign investments (Note 15 (c))	117,810	240,745	276,567
Total comprehensive income for the year	<u>574,039</u>	<u>1,173,050</u>	<u>1,204,903</u>
Attributable to:			
Company's Stockholders	550,125	1,124,181	1,191,607
Non-controlling interest	23,914	48,869	13,296
	<u>574,039</u>	<u>1,173,050</u>	<u>1,204,903</u>

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Statement of Changes in Equity

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

	Attributable to						
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase	Carrying value adjustment
At December 31, 2011	1,025,986	22,157	7,539	139,401	221,255	856,891	105,842
Total comprehensive income for the year:							
Net income for the year - US\$ 1.621 per share							43
Other comprehensive income (Note 15 (c))							116,879
Total comprehensive income for the year							<u>116,879</u>
Capital transactions with stockholders:							
Capital reduction (Note 15 (a))	(4,746)						
Other transactions with non-controlling interests							
Apropriation of net income:							
Dividends - R\$ 0.173 per share (Note 15 (d))							(4)
Other adjustment with investess							
Transfer to reserves		21,662			369,343		(39)
At December 31, 2012	<u>1,021,240</u>	<u>43,819</u>	<u>7,539</u>	<u>139,401</u>	<u>590,598</u>	<u>856,891</u>	<u>222,721</u>

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Statement of Changes in Equity

In thousands of reais, unless otherwise indicated

	Attributable to							R e
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase	Carrying value adjustment	
At December 31, 2011	2,096,603	45,278	15,406	284,865	452,135	1,751,054	216,289	
Total comprehensive income for the year:								
Net income for the year - R\$ 3.312 per share								88
Other comprehensive income (Note 15 (c))							238,842	
Total comprehensive income for the year							<u>238,842</u>	<u>8</u>
Capital transactions with stockholders:								
Capital reduction (Note 15 (a))	(9,698)							
Other transactions with non-controlling interests								
Apropriation of net income:								
Dividends - R\$ 0.354 per share (Note 15 (d))								(10
Other adjustment with investess								1
Transfer to reserves		44,267			754,752			(75
At December 31, 2012	<u>2,086,905</u>	<u>89,545</u>	<u>15,406</u>	<u>284,865</u>	<u>1,206,887</u>	<u>1,751,054</u>	<u>455,131</u>	

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Statement of Changes in Equity

In thousands of reais, unless otherwise indicated

	Revenue reserves						Carrying value adjustment	Attributable to
	Capital	Legal	Investment grants	Investments (statutory)	Unrealized profit	Future capital increase		
At December 31, 2010	1,113,126	222,625	15,406	890,501		1,751,054	(69,758)	
Total comprehensive income for the year:								
Net income for the year - R\$ 3.257 per share								90
Other comprehensive income (Note 15 (c))							286,047	
Total comprehensive income for the year							<u>286,047</u>	<u>90</u>
Capital transactions with stockholders:								
Capital increase (Note 15 (a))	1,113,126	(222,625)		(890,501)				
Capital reduction (Note 15 (a))	(129,649)							
Other transaction with non-controlling interests								
Apropriation of net income:								
Dividends - R\$ 0.354 per share (Note 15 (d))								(10)
Other adjustment with investess								(2)
Transfer to reserves		45,278		284,865	452,135			(78)
At December 31, 2011	<u>2,096,603</u>	<u>45,278</u>	<u>15,406</u>	<u>284,865</u>	<u>452,135</u>	<u>1,751,054</u>	<u>216,289</u>	

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Statement of Cash Flows Years Ended December 31

In thousand of reais and U.S. dollars

	2012		2011
	US\$		R\$
Cash flows from operating activities			
Profit before income tax and social contribution	855,583	1,748,386	1,359,461
Adjustments:			
Equity in results of investees	2,112	4,315	39,712
Variation in construction contracts revenue	1,313,748	2,684,644	466,739
Depreciation and amortization	207,996	425,039	363,915
Residual value of reduction in property and equipment and project expenses	63,433	129,626	88,397
Interest and monetary and exchange variations, net	247,515	505,796	295,569
Cash from operations	2,690,387	5,497,806	2,613,793
Changes in assets and liabilities:			
Financial investments	5,104	10,431	1,169
Trade accounts receivable	(918,143)	(1,876,226)	(809,086)
Inventories	(248,242)	(507,282)	(122,852)
Taxes recoverable	(132,234)	(270,220)	(142,303)
Prepaid expenses and other assets	(161,232)	(329,477)	(779,177)
Suppliers and subcontractors	473,372	967,336	1,177,012
Advances from customers	(459,947)	(939,901)	2,830,526
Taxes, rates, salaries and payroll charges	(231,450)	(472,969)	143,800
Other liabilities	(126,699)	(258,909)	13,791
Net cash generated from operating activities	890,916	1,820,589	4,926,673
Cash flows from investing activities			
Acquisitions of investments	(27,085)	(55,349)	(36,589)
Acquisitions of property and equipment and intangible assets	(360,329)	(736,333)	(468,145)
Net cash used in investing activities	(387,414)	(791,682)	(504,734)
Cash flows from financing activities			
Related parties			
Repayment	(2,782,471)	(5,685,979)	(3,042,964)
New loans	2,623,795	5,361,725	2,350,594
Short and long-term debt, net			
New loans	1,350,081	2,758,891	2,208,262
Repayment - principal	(1,574,248)	(3,216,975)	(2,485,866)
Repayment - interest	(91,545)	(187,072)	(147,937)
Net cash used in financing activities	(474,388)	(969,410)	(1,117,911)
Effect of changes in the exchange rate on cash and cash equivalents	127,637	260,824	(1,176,197)
Cash and cash equivalents of subsidiaries included in and/ (or) excluded from the consolidation, net			(29)
Increase in cash and cash equivalents	156,751	320,321	2,127,802
Cash and cash equivalents at the beginning of the year	3,282,840	6,708,484	4,580,682
Cash and cash equivalents at the end of the year	3,439,591	7,028,805	6,708,484

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

1 Operations

Construtora Norberto Odebrecht S.A. (“CNO” or “Company”) is part of the Odebrecht Organization (“Organization”) and has its legal headquarters in Rio de Janeiro and administrative headquarters in São Paulo. The main operations of the Company include the planning and execution of engineering projects of all types and specialties as contractor, administrator or other roles; technical installations of civil engineering, industrial assembly, consulting, planning, assistance and technical studies; rendering of administrative or technical services; investments in other companies to enhance development, stability and profitability, and other related activities, including import and export, rental and purchase and sale of equipment and transportation.

Through its branches, the Company operates directly in the following countries: Venezuela, Angola, Ecuador, Dominican Republic, Colombia, Mexico, United Arab Emirates, Bolivia, Argentina, Peru, Costa Rica, Panama and Paraguay. In addition to these countries, the Company operates, through its direct and indirect subsidiaries: Portugal, United States of America, England, Chile, Uruguay, Spain, Libya, Liberia, Austria, Mozambique, Cuba and Guinea.

In the heavy civil construction segment, the Company and its main indirect subsidiaries in Brazil, CBPO Engenharia Ltda. (“CBPO”) and Construtora Norberto Odebrecht Brasil S.A. (“CNO Brasil”), develop construction projects involving highways, railways, hydroelectric, thermoelectric and nuclear plants, port facilities, dams, and other industrial and infrastructure projects.

The main projects currently in progress in Brazil are: Santo Antônio hydroelectric plant in the State of Rondônia, Submarine Project in the State of Rio de Janeiro, Rnest refinery of Petróleo Brasileiro S.A. (“Petrobras”), Transnordestina railway in the states of Piauí/Pernambuco, D. Pedro I highway in the State of São Paulo, Repar refinery in the State of Paraná, and Petrobras’ P59 and P60 Platforms, in addition to many contracts for the rendering of services in oil platforms and petrochemical plants and Arenas for the 2014 World Cup. Overseas, the Company has projects in 14 countries. The main ones are located in Venezuela (Maracaibo Plain Socialist Agrarian Project – El Dilúvio Irrigation, bridge over the Orinoco River, line 5 of the Caracas subway, Guarenas Guatire subway, line 2 of Los Teques subway, and Tocoma hydroelectric plant), in the United States of America (Fort Lauderdale airport), in Colombia (Ruta Del Sol Road), in Argentina (expansion of a pipeline and Paraná de las Palmas Water Treatment Plant), in Peru (Highway Carhuaz – San Luiz and Chaglla hydroelectric plant), in Angola (highway works, sanitation projects, urbanization, and several infrastructure projects), in the Dominican Republic (Coral road, Cibao Sur road and Ecovia Santiago), and in Panama (Cinta Costera road and Panama subway).

In the process of obtaining and performing contracts in Brazil and overseas, the Company and its subsidiaries use surety bonds obtained with the support of OCS - Odebrecht Administradora e Corretora de Seguros Ltda. (“OCS”), which is part of the Odebrecht Organization, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market (Note 19).

These consolidated financial statements were approved by the Company's Executive Board on March 11, 2013.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

(i) Corporate restructuring

Following the corporate restructuring process started in 2004 for the optimization of the Organization structure, the concentration of the current accounts in the Company as the manager of the current account agreement and central management of the cash balances between the Organization companies, and the corporate segregation of the segments of engineering and construction, real estate projects, environmental engineering, investments in infrastructure, oil and gas and defense and technology, the following main transactions were performed in 2011 and 2012:

- . On June 30, 2011, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 91,547, from R\$ 1,113,126 to R\$ 1,021,579, without the cancellation of shares. As a result of this reduction, the investment held by the Company in Odebrecht Plantas Industriais e Participações S.A. ("OPIP") was transferred to ODB. The date of the transfer of the investment, in accordance with the appraisal report, was May 31, 2011 (Note 15 (a)).
- . On December 20, 2011, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 6,677, from R\$ 1,021,579 to R\$ 1,014,902, without the cancellation of shares, transferring the investment in the amount of R\$ 39 and the accounts receivable in the amount of R\$ 6,638 from Concessionária Porto Novo S.A. ("Porto Novo") to ODB (Note 15 (a)).
- . On December 29, 2011, the increase in the Company's capital by R\$ 1,113,126, from R\$ 1,014,902 to R\$ 2,128,028, was approved by means of the capitalization of the total balance of the Legal Reserve and Reserve for Investments (Note 15 (a)).
- . On December 30, 2011, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 31,425, from R\$ 2,128,028 to R\$ 2,096,603, without the cancellation of shares. In connection with this reduction, the investments held by the Company in Porto Novo and Madeira Energia S.A. ("MESA"), in the amount of R\$ 14,868 and R\$ 16,557, respectively, were transferred to ODB (Note 15 (a)).
- . On June 25, 2012, the subsidiary Tenenge Overseas Corporation ("TOC") sold the investment in Odebrecht Oil and Gas Angola Limited ("OOGA") to Odebrecht E&P GmbH at book value of € 145,341 thousands, equivalent to R\$ 391,752 – US\$ 192,544 in December 31, 2012, which is recorded in the "Other accounts receivable" account in non-current assets.
- . On December 20, 2012 the Extraordinary General Meeting approved the reduction of the Company's capital by R\$ 9,698 – US\$ 4,746, from R\$ 2,096,603 – US\$ 1,025,986 to R\$ 2,086,905 – US\$ 1,021,240, without cancellation of shares. This decrease was due to reductions of capital occurred in direct and indirect subsidiaries, Belgravia and CNO Brasil, respectively in connection with the transfer of investment in Concessionária Rio Mais S.A. ("CRM") to ODB, originally owned by CNO Brasil (Note 15 (a)).

The Company and its subsidiaries, as participants in the corporate restructuring process, may be affected by economic and/or corporate aspects as a result of the outcome of this process.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

(ii) Financial position and ratings (non audited)

The Company's credit has been monitored and analyzed by the main credit rating agencies for many years and, since its first rating, the Company has obtained consecutive upgrades on both the local and global scales.

In December 2009, the rating agency Moody's started to cover the Company, and assigned a Baa3 investment grade rating on the global scale and Aa1.br on the Brazilian national scale. In October 2010, the rating agency Fitch Ratings assigned a BBB- investment grade rating on the global scale and AA+ on the Brazilian national scale. In May 2012, the rating agency Standard & Poor's assigned a BBB- rating on the global scale and br AAA on the national scale.

CNO's corporate credit ratings assigned by the three rating agencies that monitor the Company are as follows:

	<u>Moody's</u>	<u>Standard&Poors</u>	<u>FitchRatings</u>
National Scale – Long term	Aa1.br	br AAA	AA+(bra)
Global Scale – Local and Foreign currency	Baa3	BBB-	BBB-

2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the exercises presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by certain financial assets and financial liabilities (including derivative financial instruments) measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management of the Company and its subsidiaries to exercise its judgment in the process of applying the accounting policies of the Organization. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The consolidated financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC).

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

2.2 Consolidation

(a) Consolidated Financial Statements

The following accounting policies are applied in the preparation of the consolidated financial statements.

(i) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally resulting from a shareholding of more than one half of the voting rights (voting capital). The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

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

(ii) Transactions with and participation of non-controlling interests

The Company treats transactions with non-controlling interests as transactions with owners of the Company's assets. In purchases of non-controlling interests, the difference between any consideration paid and the share acquired of the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

(iii) Associates

Associates are all entities over which the Company has significant influence but not control, generally resulting from a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss (if applicable). See Note 2.5.4 for impairment of non-financial assets, including goodwill.

The Company's share of its associates' post-acquisition profit or loss is recognized in the statement of income and its share of post-acquisition changes in reserves is recognized in reserves. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

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

If the shareholding in the associate is reduced, but significant influence is retained, only a proportional part of the amounts previously recognized in other comprehensive income is reclassified to the statement of income, when applicable. Dilution gains and losses arising from investments in associates are recognized in the statement of income.

(iv) Consolidated companies

The consolidated financial statements include those of the Company and its subsidiaries in which the following direct and indirect interest is held as of December 31, 2012 and 2011:

	Country	Direct and indirect holding (%)	
		2012	2011
Auto Pista Del Coral S.A.	Dominican Republic	100.00	100.00
Atlantic Charter LLC	USA	100.00	100.00
Belgravia	Brazil	100.00	100.00
Bento Pedrosa Construções S.A. ("BPC")	Portugal	100.00	100.00
Brazilian Olex Importação e Exportação S.A. Shanghai Representative Office	China	100.00	100.00
CBPO	Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina	Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile	Chile	100.00	100.00
CBPO Engenharia Ltda. - Colombia (a)	Colombia	100.00	
CBPO Engenharia Ltda. - Peru	Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Engenharia Ltda. - Panama	Panama	100.00	100.00
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Ltd.	Cayman Islands	100.00	100.00
Centaurus Investments Limited	Cayman Islands	100.00	100.00
CODEPA - Companhia de Desenvolvimento e Participações S.A.	Brazil	100.00	100.00
Companhia de Obras e Infra Estrutura	Brazil	100.00	100.00
Conirsa S.A.	Peru	100.00	100.00
Constructora Norberto Odebrecht de Colombia Ltda.	Colombia	100.00	100.00
Constructora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Constructora Odebrecht Chile S.A.	Chile	100.00	100.00
Constructora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
Constructora Norberto Odebrecht Bolivia S.A.	Bolivia	100.00	100.00
Constructora Norberto Odebrecht de Panama S.A.	Panama	100.00	100.00
Constructora Norberto Odebrecht S.A. - Angola	Angola	100.00	100.00
Constructora Norberto Odebrecht S.A. - Argelia	Argelia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Argentina	Argentina	100.00	100.00
Constructora Norberto Odebrecht S.A. - Bolivia	Bolivia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Colombia	Colombia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Constructora Norberto Odebrecht S.A. - Emirados Arabes	Arab Emirates	100.00	100.00
Constructora Norberto Odebrecht S.A. - Ecuador	Ecuador	100.00	100.00
Constructora Norberto Odebrecht S.A. - Espanha	Spain	100.00	100.00
Constructora Norberto Odebrecht S.A. - Honduras	Honduras	100.00	100.00
Constructora Norberto Odebrecht S.A. - Mexico	Mexico	100.00	100.00
Constructora Norberto Odebrecht S.A. - Mozambique	Mozambique	100.00	100.00
Constructora Norberto Odebrecht S.A. - Panama	Panama	100.00	100.00
Constructora Norberto Odebrecht S.A. - Paraguay	Paraguay	100.00	100.00
Constructora Norberto Odebrecht S.A. - Peru	Peru	100.00	100.00
Constructora Norberto Odebrecht S.A. - Republica Dominicana	Dominican Republic	100.00	100.00
Constructora Norberto Odebrecht S.A. - Uruguai	Uruguay	100.00	100.00
Constructora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Dhawaii Alm adeena Construction LLC	USA	100.00	100.00
Dominicana Ingeniería y Construcción S.A.	Dominican Republic	100.00	100.00
Energipar Participações S.A.	Brazil	100.00	100.00
Libyan Brazilian Construction and Development Company	Libya	60.00	60.00
Multitrade S.A.	Brazil	100.00	100.00
Odebrecht Global Sourcing, Inc.	USA	100.00	100.00
Odebrecht Services GMBH	Austria	100.00	100.00
Odebrecht Guinea	Guinea Conakry	100.00	100.00
CBPO Overseas Sucursal Republica Dominicana	Dominican Republic	100.00	100.00
Odebrecht Industrial Engineering America	USA	100.00	100.00

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

	Country	Direct and indirect holding (%)	
		2012	2011
Odebrecht Angola Projectos e Serviços Ltda.	Angola	100.00	100.00
Odebrecht Argentina S.A.	Argentina	100.00	100.00
Odebrecht Solutions Inc. (b)	Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.	Malta	100.00	100.00
Odebrecht Construction, Inc. ("OCI")	USA	100.00	100.00
Odebrecht Djibouti FZCO	Djibouti	100.00	100.00
Odebrecht Engenharia e Construção S.A.	Brazil	100.00	100.00
Odebrecht Engenharia e Construção Moçambique Ltda.	Moçambique	100.00	100.00
Odebrecht Engineering & Construction Ltd.	Malta	100.00	100.00
Odebrecht Solution Malta Ltd.	Malta	100.00	100.00
Odebrecht Holding GMBH	Austria	100.00	100.00
Odebrecht Ingeniería y Construcción de España, S.L.	Spain	100.00	100.00
Odebrecht Ingeniería y Construcción de México, S de RL de CV.	Mexico	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias II	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Rodoviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Mining Services, Inc ("OMSI")	Cayman Islands	100.00	100.00
Odebrecht Services Limited	England	100.00	100.00
Odebrecht Overseas Ltd ("OOL")	Bahamas	100.00	100.00
OOGA (c)	Angola	100.00	100.00
Odebrecht Peru Ingeniería y Construcción S.A.C. ("OPIC")	Peru	100.00	100.00
Conga Earthworks Team S.R.L.	Peru	45.00	45.00
Odebrecht Peru Operaciones Y Servicios S.A.C.	Peru	100.00	100.00
Odebrecht Industrial Engineering B.V.	Netherlands	100.00	100.00
Odebrecht Development Inc.	USA	100.00	100.00
Odebrecht Paraguay S.A.	Paraguay	100.00	100.00
OLEX Import and Export S.A. ("OLEX")	Brazil	100.00	100.00
OSEL - Odebrecht Serviços no Exterior Ltd. ("OSEL")	Cayman Islands	100.00	100.00
CNO Brasil	Brazil	100.00	100.00
Tenenge (UK) Ltd.	England	100.00	100.00
TOC	Cayman Islands	100.00	100.00
Companies proportionally consolidated			
Proyectos Ebramex S. de R.L. de C.V.	Mexico	33.33	33.33
Mina-Trico.S.de R.L. de C.V.	Mexico	33.33	33.33
Participações Energéticas S.A.	Brazil	50.00	50.00
Obras Civis, L.N.2.2. ACE	Portugal	63.90	63.90
BPC, CBPO, Somague, Profabril, Kaiser e Acer, ACE	Portugal	50.00	50.00
Obras Civis, L.N. 2.1. ACE	Portugal	40.00	40.00
Lis mercado Construções – Bento Pedroso, Somague, H.Hagen, ACE	Portugal	40.00	40.00
Somague, BPC, Engil, SPIE em ACE	Portugal	26.32	26.32
Somague, BPC, Engil, SPIE-S.B.E.S.-Prolongamento da Linha Vermelha do Metropolitano, ACE	Portugal	26.32	26.32
Somague-Bento Pedroso-Necso-Dragados, ACE	Portugal	25.00	25.00
Edifer, Soconstro, BPC, Somague e Acciona, ACE	Portugal	20.00	20.00
Norace – Construtoras das Auto-estradas do Norte, ACE	Portugal	17.34	17.34
Vianor – Construtoras das Auto-estradas da Costa de Prata, ACE	Portugal	17.25	17.25
Lusitânia – Construtoras das Auto-estradas das Beiras Litoral e Alta, ACE	Portugal	17.25	17.25
Portuscale – Construtoras das Auto-estradas do Grande Porto, ACE	Portugal	17.25	17.25
TACE - Construção da Travessia Rodoviária de Tejo, ACE	Portugal	16.67	16.67
Agrupamento para a Construção da Segunda Travessia do Tejo, ACE	Portugal	14.34	14.34
Baixo Sabor - Bento Pedroso Construções e Lena Engenharia e Construções, ACE	Portugal	49.00	49.00
Glace - Construtoras das Auto-estradas de Grande Lisboa, ACE	Portugal	17.25	17.25
United ODB LLC.	Arab Emirates	49.00	49.00
Glex - Expropriações da Grande Lisboa, ACE	Portugal	14.23	14.23
Xingu - Sócio Ambiental Ltda.	Brazil	33.33	33.33
ICN - Itaguai Construções Navais S.A.	Brazil	59.00	59.00

(a) Investment established on July, 2012.

(b) The former corporate name of Odebrecht Construction International, Inc., which was changed in 2012.

(c) Investment was sold on June, 2012 (Note 1 (i)).

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Information on the main direct and indirect subsidiaries and branches included in consolidation:

	Number of shares or quotas directly or indirectly held		Stockholders' equity		
	2012	2011	2012		2011
			US\$	R\$	
BPC	7,399,859	7,399,859	144,972	296,250	299,929
CBPO	2,321,413	2,321,413	487,111	995,412	920,908
OCI	86,806,032	86,806,032	138,393	282,805	363,931
OOL	165,213,213	165,213,213	281,884	576,030	378,199
OPIC	12,428,019	12,428,019	222,624	454,932	392,535
OSEL	100,000,000	100,000,000	110,749	226,315	228,405
CNO Brasil	765,968,848	684,148,629	253,813	518,666	472,054
Construtora Norberto Odebrecht S.A. - Venezuela (Branch)			265,857	543,279	354,364
Construtora Norberto Odebrecht S.A. - Angola (Branch)			15,011	30,676	9,274
Construtora Norberto Odebrecht S.A. - Peru (Branch)			78,589	160,597	66,003
Construtora Norberto Odebrecht S.A. - Argentina (Branch)			169,006	345,363	227,215

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For the jointly-controlled subsidiaries, assets, liabilities and profit or loss were consolidated in proportion to total interests held in their capital, in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC).

In the consolidated financial statements, the Company's interests in the subsidiaries' net worth and results, balances of intercompany assets, liabilities, income and expenses were eliminated.

(b) Changes in accounting policies and disclosures

No new CPC pronouncements or interpretations became effective in 2013 that could have a significant impact on the consolidated financial statements of the Company and its subsidiaries, except with respect to the adoption of CPC 19(R2), which provides for the adoption of the equity method of accounting for investments in jointly-controlled subsidiaries instead of proportional consolidation.

The CPC 19(R2) - "Joint Ventures" provides for a more realistic approach to joint arrangements by focusing on the rights and obligations of the arrangement instead of on its legal form. There are two types of joint arrangements: (i) joint operations – which takes place when an operator has rights over the contractual assets and obligations and, as a consequence, will account for its share in the assets, liabilities, income and expenses; and (ii) shared control – it takes place when an operator has rights over the net assets of the contract and accounts for the investment using the equity method. The proportional consolidation method will no longer be allowed in cases of joint control. The standard is applicable as from January 1, 2013. Actually, management is assessing the impact of this new standard on investments with shared control.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the dates of valuation when items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income as finance income and costs. All other foreign exchange gains and losses are presented in the statement of income within "Financial result, net".

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(c) Consolidated entities

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

- (i) Assets and liabilities are translated at the closing rate at the balance sheet date.
- (ii) The opening equity for one year corresponds to the closing equity of the previous year as translated at the time. The changes in the opening equity for the year are translated at the rates in effect on the dates these changes occur.
- (iii) Income and expenses for each statement of income are translated at average exchange rates.
- (iv) All resulting exchange differences are recognized as a separate component of equity.

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

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with Banks, money orders issued by customers and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value. Bank overdrafts are shown within "Debts" in current liabilities in the balance sheet.

2.5 Financial assets

2.5.1 Classification

The Company and its subsidiaries classify their financial assets in the following categories: measured at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are the financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also classified as held for trading, unless they have been designated as hedging instruments. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those falling due more than 12 months after the balance sheet date (these are classified as non-current assets). The Company's loans and receivables comprise "Cash and cash equivalents", "Trade accounts receivable" and "Other accounts receivable" (Notes 2.4 and 2.7).

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2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset).

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. Loans and receivables are accounted at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of “financial assets at fair value through profit or loss” are presented in the statement of income in “Finance result, net” in the period in which they arise. Dividends income from financial assets at fair value through profit or loss is recognized in the statement of income as part of other income when the Company’s right to receive payments is established.

The fair values of the investments that are publicly quoted are based on current bid prices. If the market for a financial asset (and for unlisted securities) is not active, the Company and its subsidiaries establish fair value by using valuation techniques. These techniques include the use of recent arm’s length transactions, the reference to other instruments substantially similar instruments, discounted cash flow analysis and option pricing models that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

The Company and its subsidiaries assess at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognized in the statement of income. Impairment testing of trade receivables is described in Note 2.7.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.5.4 Impairment of financial and non-financial assets

The Company and its subsidiaries assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurs after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The non-financial assets that are subject to amortization are reviewed for impairment by management whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognized when the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset’s fair value less costs to sell and its value in use.

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2.6 Derivative financial instruments and hedging activities

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

Changes in the fair value of derivative instruments are recognized immediately in the statement of income in "Finance income and costs, net". The fair values of various derivative instruments used for hedging purposes are disclosed in Note 4.3.

2.7 Trade accounts receivable

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Usually, in practice, they are recognized at the amount billed, adjusted by the provision for impairment, when necessary. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.8 Inventories

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

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

2.9 Judicial deposits

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

2.10 Other assets

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

2.11 Intangible assets

(a) Goodwill

Goodwill represents the excess of the amount paid or payable for an acquisition over the net fair value of the assets and liabilities of the acquired subsidiary. Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets". If negative goodwill arises, the amount is recorded as a gain in the statement of income at the date of acquisition.

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Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill is allocated to the Cash Generating Units (“UGC”) for the purposes of impairment testing. The goodwill is allocated to the Cash Generating Units or to the groups of Cash Generating Units, which may benefit from the business combination from which the goodwill originated and they are identified in accordance with the operating segment.

(b) Software

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

2.12 Property and Equipment

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

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

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful lives, as presented in Note 12.

The assets’ residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. During the year ended December 31, 2012, the Company reviewed the useful lives of property and equipment and concluded that they are adequate. An asset’s book value is written down immediately to its recoverable amount when the asset’s carrying amount is greater than its estimated recoverable amount.

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

2.13 Debts

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

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

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

2.14 Provisions

Provisions for legal claims (labor, civil and indirect taxes) are recognized when the Company and its subsidiaries have a present legal obligation, it is likely that assets will be surrendered to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

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

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

2.15 Current and deferred income tax and social contribution

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

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

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

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

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

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2.16 Employee benefits

(a) Pension obligations

The Company and its subsidiaries have entered into an agreement with ODEPREV - Odebrecht Previdência (“ODEPREV”), a private pension fund established by the parent company ODB, as sponsoring companies.

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

In relation to the benefit payments due under the plan, the ODEPREV obligations are limited to the total value of the participants' quotas and, in conformity with the rules of the defined contribution plan, the sponsoring entities have no obligations or responsibilities to guarantee minimum levels of benefits to the retired participants. The contributions of the Company and its subsidiaries in the years ended December 31, 2012 and 2011 were R\$ 47,717 – US\$ 23,351 and R\$ 17,847, respectively.

Management assessed and concluded that the plan is a defined contribution plan where the risk of receiving benefits is the responsibility of participants under CPC 33 - Employee Benefits.

2.17 Capital

Common and preferred shares are classified as equity.

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

When a company of the Organization purchases shares of the Company (treasury shares), the amount paid, including any additional costs that are directly attributable (net of income taxes), is deducted from the equity attributable to the Company's stockholders until the shares are cancelled or reissued. When these shares are reissued, any amount received is reduced by any additional costs of the transaction and directly attributable to the respective effects of income tax and social contribution and is included in the equity attributable to the Company's stockholders.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the activities of the Company and its subsidiaries. Revenue is shown net of taxes, returns, rebates and discounts and after eliminating sales between the consolidated companies.

The Company and its subsidiaries recognize revenue when the amount thereof can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the activities of the Company and its subsidiaries.

The Company and its subsidiaries base their estimates on historical data, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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(a) Revenue from construction contracts

Revenue from construction contracts is recognized based on the percentage of completion of each contract on the date of the consolidated financial statements. The method used to determine the percentage of completion takes into consideration the proportion between the costs incurred in the services provided to that date, and the total costs estimated for the contract.

When revenue from construction contracts cannot be reliably measured in relation to the work performed using this method, the Company and its subsidiaries take into consideration an estimate of the work performed for the purposes of determining revenue.

The amounts received on construction contracts that exceed allocated revenue are recorded in the advances from customers account in current and non-current liabilities, in accordance with the contract term. The amounts received on construction contracts that are less than allocated revenue are recorded as trade accounts receivable in current and non-current assets, in accordance with the contract term.

Trade accounts receivable and advances from customers are offset for the same customer and the net amount is presented in the balance sheet, reflecting the essence of operations and how management monitors the customers' portfolio. On December 31, 2012, the offsetted amount was R\$ 192,485 – US\$ 94,194 (2011 – 21,311).

(b) Interest income

Interest income is recognized on the accrual basis, using the effective interest method.

2.19 Dividends and interest on capital

Payment of dividends and interest on capital to the Company's stockholders is recognized as a liability in the financial statements at the end of the year in accordance with the Company's bylaws. Any amount exceeding the minimum compulsory dividend is provided on the date it is approved by the stockholders at the Stockholders' Meeting.

2.20 Basis of translation

The accounting records are maintained in reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the December 31, 2012 local currency financial statements, using the exchange rate prevailing on that date of R\$ 2.0435 to US\$ 1.00. This translation should not be construed as representing that the amounts in Brazilian reais represent, or have been, or could be, converted into U.S. dollars.

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3 Critical Accounting Estimates and Judgments

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

3.1 Critical accounting estimates and assumptions

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

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

(a) Fair value of derivatives and other financial instruments

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

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

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

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

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

(c) Revenue recognition

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

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

4 Financial Risk Management

4.1 Financial risk factors

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

Risk management is carried out under policies approved by the Board of Directors.

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The purpose of risk management is to protect the cash flows of the Company and its subsidiaries and reduce the threats to the financing of their operating working capital and investment programs.

(a) Foreign exchange risk

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

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

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

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

The Company and its subsidiaries manage their exposure to foreign exchange rates through a mix of cash flows in foreign currencies, foreign currency denominated debt, investment in foreign currencies and derivatives. The policy of the Company and its subsidiaries to manage foreign exchange risks provides for maximum and minimum limits that must be followed and which are constantly monitored by management.

(b) Interest rate risk

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

The Company and its subsidiaries are exposed to the risk that a variation in floating interest rates causes an increase in their finance costs from payments of future interest. Foreign currency denominated debt subject to floating rates is mainly subject to changes in the Libor. Local currency denominated debt is mainly subject to the variation in the Long-Term Interest Rate (TJLP), fixed rates in Brazilian reais and the daily Interbank Deposit Certificate (CDI) rate.

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

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(c) Price index risk

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

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

(d) Credit risk

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

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

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

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

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

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

As a way of mitigating the risk of default, the Company and its subsidiaries are protected, in the provision of engineering and construction services, by regular prepayments from customers, which in the year ended December 31, 2012 amounted to R\$ 2,684,644 – US\$ 1,313,748 (2011 - R\$ 466,739).

At December 31, 2012, the Company and its subsidiaries had overdue accounts receivable amounting to R\$ 446,188 – US\$ 218,345 (2011 - R\$ 456,584) for services rendered to Brazilian government entities, mainly state and municipal.

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Historically, the Company and its subsidiaries have collected the amounts owed by these entities, including those overdue for one year or more. The collection of these overdue amounts occurs through payment or the receipt of government bonds or other government assets.

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

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

(e) Liquidity risk

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

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

4.2 Capital management

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

		2012	2011
	US\$		R\$
Total debt (Note 13)	415,963	850,019	1,237,532
Less: cash and cash equivalents (Note 6)	(3,439,591)	(7,028,805)	(6,708,484)
Net debt	(3,023,628)	(6,178,786)	(5,470,952)
Total equity	2,889,652	5,905,002	4,880,388
Total capital	(133,976)	(273,784)	(590,564)
Index of financial gearing - %	N/A	N/A	N/A

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

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4.3 Derivative financial instruments

The Company uses derivative financial instruments solely for hedging purposes.

The Financial Policy of the Company and its subsidiaries provides for a continuous short-term hedging program for foreign exchange rate risk arising from their operations and financial items. The other market risks are addressed on a case-by-case basis for each operation.

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

At December 31, 2012, the Company and its subsidiaries had derivative contracts amounting to R\$ 2,468,477 – US\$ 1,207,966 (2011 – R\$ 1,916,903).

(i) Changing the return on other instruments

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

These operations to change the return on investments or the interest rate or adjustment index on financial commitments are carried out for an amount that does not exceed that of the underlying investment or liability. The Company and its subsidiaries do not leverage their positions with derivatives. At December 31, 2012 and 2011, the Company and its subsidiaries had no transactions of this type.

(ii) Other information on derivative financial instruments

All derivative financial instruments held at December 31, 2012 and 2011 were contracted at an over-the-counter market with large financial counterparties under global derivative contracts in Brazil or abroad.

The derivative financial instruments are presented in the balance sheet at their fair values in assets or liabilities based on whether the fair value represents a positive or negative balance to the Company and its subsidiaries, respectively. The derivative financial instruments are mandatorily classified as “held for trading”. Changes in the fair value of derivatives are recorded as finance income and costs in the same period in which they occur, except for when the derivative is designated and qualified for cash flow hedge accounting. At December 31, 2012 and 2011, the Company did not have any derivatives so classified.

The fair value of derivatives is obtained:

- (a) from public sources when the derivative is traded on exchanges;
- (b) through discounted cash flow models when the derivative is a forward purchase or sale or a swap contract; and

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

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

At December 31, 2012 and 2011, the Company and its subsidiaries did not have derivatives that required non-observable assumptions to calculate their fair value.

The table below shows the transactions with derivatives of the Company and its subsidiaries existing at December 31, 2012. The “Changes in fair value” column shows the changes in the fair value of derivatives for the year ended December 31, 2012; the “Settlements in 2012” column shows the effect recognized in finance income and costs associated with the settlements of derivatives for the year ended December 31, 2012. The “Total effect on profit or loss” column represents the effects of the changes in the value of derivatives (changes in the fair value and settlements) on the Company’s statement of income.

Instrument	Notional		First settlement date	Maturity	Fair value at December 31, 2012		Changes in fair value	Fair value at December 31, 2011	Settlements in the year 2012	Total effect on the result
	US\$	R\$			US\$	R\$		R\$	R\$	
NDF USDBRL	595,471	1,216,845	Mar/12	Oct-16	1,603	3,276	7,585	(4,309)	(16,912)	(9,327)
NDF USDPEN	100	204	Jan/12	Jan-13	14	28	(2,379)	2,407	6,024	3,645
NDF USDPY	29,722	60,736	Feb/13	Dec-15	(1,718)	(3,511)	(3,511)			(3,511)
NDF USDCOP	5,500	11,239	May/12	Jan-13	(180)	(367)	(367)		23	(344)
NDF EURUSD			Jan/12	Dec-12					11,358	11,358
Swaps LIBOR	560,919	1,146,237	Jan/12	Nov-19	(8,940)	(18,269)	(4,988)	(13,281)	(5,579)	(10,567)
Swaps TJP			Jan/12	Mar-12			6	(6)	(1)	5
Opções EURUSD	16,254	33,216	Feb/12	Jun-14	(57)	(117)	(478)	361	(287)	(765)
Opções Heating Oil			Feb/12	Apr-12					23	23
	1,207,966	2,468,477			(9,278)	(18,960)	(4,132)	(14,828)	(5,351)	(9,483)

At December 31, 2012, the fair value of derivative financial instruments amounting to R\$ 18,960 – US\$ 9,278 (2011 - R\$ 14,828) is recorded as “Other accounts payable” in current liabilities.

4.4 Sensitivity analysis

The derivative financial instruments may be subject to changes in their fair value as a result of the variation in foreign exchange rates, interest rates, price indexes and other variables. The sensitivity of the derivative financial instruments to these variables is presented below:

(a) Selection of risks

Management selected the six market risks that may most affect the value of the derivative financial instruments held by the Company and its subsidiaries, namely: a) Brazilian real-U.S. dollar exchange rate; b) Peruvian New Sol-U.S. dollar exchange rate; c) Japanese yen-U.S. dollar Exchange rate; d) Euro-U.S. dollar exchange rate; e) Colombian peso-U.S. dollar Exchange rate; and f) Libor floating interest rate.

For the purposes of the risk sensitivity analysis, the Company and its subsidiaries present the exposures to currencies and interest rates as if they were independent, that is, without reflecting in the exposure to a foreign exchange rate the risks of the variation in interest rates that could be indirectly influenced by it.

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(b) Selection of scenarios

The sensitivity analysis includes three scenarios, one of which is probable and the other two represent adverse effects for the Company and its subsidiaries. In the preparation of the adverse scenarios, only the impact of the variables on the derivative financial instrument was considered. The overall impacts on the Company's operations, such as those arising from the revaluation of inventories and future revenue and costs, were not considered.

Since the Company and its subsidiaries manage their exposure to foreign exchange rate risk on a net basis, adverse effects from a depreciation of the Brazilian real in relation to the U.S. dollar can be offset by opposing effects on their operating results.

As a probable scenario, the future curves of the Brazilian real-U.S. dollar exchange rate, the Peruvian New Sol-U.S. dollar exchange rate, the Japanese yen-U.S. dollar exchange rate, the Euro-U.S. dollar exchange rate, the Colombian peso-U.S. dollar exchange rate and the Libor rate at December 31, 2012, disclosed by Bloomberg, were considered.

A 25% increase in the future curve quote disclosed by Bloomberg on December 31, 2012 for the Brazilian real-U.S. dollar, Peruvian New Sol-U.S. dollar, Japanese yen-U.S. dollar and Euro-U.S. dollar exchange rates was considered for the possible adverse scenario and 50% for the extreme adverse scenario.

A 25% decrease in the future curve quote disclosed by Bloomberg on December 31, 2012 for the Colombian peso-U.S. dollar and Libor interest rate was considered for the possible adverse scenario and 50% for the worst-case scenario

The sensitivity amounts in the table below are the changes in the value of the derivative financial instruments in each scenario.

(c) Sensitivity to the Brazilian real-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Brazilian real-U.S. dollar exchange rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDBRL	3,276	(563)	(3,123)
	3,276	(563)	(3,123)
Instrument	US\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDBRL	1,603	(276)	(1,528)
	1,603	(276)	(1,528)

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(d) Sensitivity to the Peruvian New Sol-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Peruvian New Sol-U.S. dollar exchange rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDPEN	28	(18)	(49)
	28	(18)	(49)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDPEN	14	(9)	(24)
	14	(9)	(24)

(e) Sensitivity to the Japanese yen-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Japanese yen-U.S. dollar exchange rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDJPY	(3,511)	(14,956)	(22,586)
	(3,511)	(14,956)	(22,586)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDJPY	(1,718)	(7,319)	(11,053)
	(1,718)	(7,319)	(11,053)

(f) Sensitivity to the Euro-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the variation in the Euro-U.S. dollar exchange rate is presented in the table below:

Instrument	R\$		
	Probable	Possible adverse (25%)	Adverse worst-case (50%)
Opções EURUSD	(117)	(314)	(314)
	(117)	(314)	(314)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
Opções EURUSD	(57)	(154)	(154)
	(57)	(154)	(154)

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(g) Sensitivity to the Colombian peso-U.S. dollar exchange rate

The sensitivity of each derivative financial instrument to the Colombian peso-U.S. dollar exchange rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDCOP	(367)	(4,236)	(11,973)
	(367)	(4,236)	(11,973)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
NDF USDCOP	(180)	(2,073)	(5,859)
	(180)	(2,073)	(5,859)

(h) Sensitivity to the Libor floating interest rate

The sensitivity of each derivative financial instrument to the Libor interest rate is presented in the table below:

	R\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
Swap LIBOR	(18,269)	(21,342)	(24,421)
	(18,269)	(21,342)	(24,421)
	US\$		
Instrument	Probable	Possible adverse (25%)	Adverse worst-case (50%)
Swap LIBOR	(8,940)	(10,444)	(11,951)
	(8,940)	(10,444)	(11,951)

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5 Financial Instruments by Category

	Loans and receivables	Assets measured at fair value through profit or loss	Total R\$	Total US\$
December 31, 2012				
Assets, according to the balance sheet				
Derivative financial instruments		3,304	3,304	1,617
Trade accounts receivable, net of prepayments (i)	8,109,726		8,109,726	3,968,548
Financial assets measured at fair value through profit or loss		120,391	120,391	58,914
Cash and cash equivalents	7,028,805		7,028,805	3,439,591
	<u>15,138,531</u>	<u>123,695</u>	<u>15,262,226</u>	<u>7,468,670</u>

	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total R\$	Total US\$
December 31, 2012				
Liabilities, according to the balance sheet				
Financing and lease obligations (ii)		850,019	850,019	415,963
Derivative financial instruments	22,264		22,264	10,895
Accounts payable and other, excluding legal obligations (iii)		4,347,377	4,347,377	2,127,417
	<u>22,264</u>	<u>5,197,396</u>	<u>5,219,660</u>	<u>2,554,275</u>

	Loans and receivables	Assets measured at fair value through profit or loss	Total R\$
December 31, 2011			
Assets, according to the balance sheet			
Derivative financial instruments		2,768	2,768
Trade accounts receivable, net of prepayments (i)	5,686,057		5,686,057
Financial assets measured at fair value through profit or loss		122,585	122,585
Cash and cash equivalents	6,708,484		6,708,484
	<u>12,394,541</u>	<u>125,353</u>	<u>12,519,894</u>

	Liabilities measured at fair value through profit or loss	Other financial liabilities	Total R\$
December 31, 2011			
Liabilities, according to the balance sheet			
Financing and lease obligations (ii)		1,237,532	1,237,532
Derivative financial instruments	17,596		17,596
Accounts payable and other, excluding legal obligations (iii)		3,398,193	3,398,193
	<u>17,596</u>	<u>4,635,725</u>	<u>4,653,321</u>

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- (i) Prepayments are excluded from the balance of "Trade accounts receivable and other accounts receivable" since the analysis is required only for financial instruments.
- (ii) The categories in this disclosure are determined by CPC 38. Thus, the finance leases were presented together with financing.
- (iii) The obligations arising from legislation are excluded from the balance of suppliers since the analysis is required only for financial instruments.

6 Cash and Cash Equivalents

	2012		2011
	US\$		R\$
Cash and banks	884,348	1,807,166	1,752,122
Short-term deposits	2,555,243	5,221,639	4,956,362
	<u>3,439,591</u>	<u>7,028,805</u>	<u>6,708,484</u>

7 Trade Accounts Receivable

	2012		2011
	US\$		R\$
Government entities			
Federal	1,998,917	4,084,786	2,327,579
State	73,821	150,854	319,965
Municipal	254,022	519,093	386,179
	<u>2,326,760</u>	<u>4,754,733</u>	<u>3,033,723</u>
Private sector	1,062,925	2,172,087	1,689,649
	<u>3,389,685</u>	<u>6,926,820</u>	<u>4,723,372</u>
(-) Current assets	<u>(3,045,508)</u>	<u>(6,223,495)</u>	<u>(4,179,320)</u>
Non-current assets	<u>344,177</u>	<u>703,325</u>	<u>544,052</u>

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

The balances of trade accounts receivable were calculated taking into consideration the contractual terms, specific portfolio risks and negotiations in progress, including administrative and judicial collection processes, in order to recover amounts due for services rendered, including financial charges.

Trade accounts receivable at December 31, 2012 include R\$ 237,874 – US\$ 116,405 (2011 - R\$ 228,053) of overdue receivables from government entities under judicial collection, the major part of which has received favorable decisions, and R\$ 208,314 – US\$ 101,940 (2011 – R\$ 228,531) of overdue receivables, which the Company and its subsidiaries are attempting to collect through administrative actions with the debtors.

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Taking into consideration the history of minimal losses that the Company and its subsidiaries have incurred, management does not expect losses on the realization of such receivables and believes that, as a result of these actions, the recognition of amounts in addition to those recorded may occur when sufficient evidence exists to support a reasonable expectation that the corresponding amounts will be received.

8 Taxes Recoverable

	2012		2011
	US\$		R\$
Current assets			
Social contributions recoverable	2,248	4,594	4,777
Withholding IR, CSL, PIS and COFINS from invoicing and withholding IR on earnings from financing investments and invoicing	129,015	263,643	177,302
Prepaid Income Tax by overseas branches and subsidiaries	146,761	299,907	151,335
Foreign branches/ subsidiaries value added tax:			
VAT - Venezuela branch	20,163	41,203	41,891
VAT - Argentina branch	5,211	10,648	13,198
BPC	2,817	5,757	4,177
Other taxes recoverable	41,189	84,168	47,442
	<u>347,404</u>	<u>709,920</u>	<u>440,122</u>
Non-current assets			
Withheld income tax on dividends abroad			656
Other taxes recoverable (*)	12,481	25,505	9,893
	<u>12,481</u>	<u>25,505</u>	<u>10,549</u>

(*) Refers mainly to withholding tax of the indirect subsidiary OLEX.

9 Inventories

	2012		2011
	US\$		R\$
Raw materials	3,716	7,593	7,043
Materials to be used in construction works	343,538	702,019	452,235
Marketable properties	17,760	36,293	9,483
Imports and exports in progress	45,492	92,963	47,704
In transit inventories	26,547	54,249	23,732
Advances to suppliers	147,619	301,660	114,842
	<u>584,672</u>	<u>1,194,777</u>	<u>655,039</u>

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10 Eletrobras Credits

On October 23, 2006 according to the "Contract of Assignment of Credit Rights Subject to a Legal Action with a Final and Unappealable Decision", Odebrecht Investimentos S.A. (merged into ODB) sold to the Company the credit rights arising from proceeding No. 2001.34.00.029764-8, which was judged in a final and unappealable decision in 2006, originally filed by OPP Química S.A. (merged into Braskem S.A.) against the Federal Government and Centrais Elétricas Brasileiras S.A. - Eletrobras ("Eletrobras"). Such assignment had the net amount of R\$ 238,234 after deducting the fees of the attorneys contracted to accompany the legal action.

For the acquisition of the Eletrobras Credits, the Company paid in cash the amount of R\$ 149,959, and the remaining balance in the amount of R\$ 88,275 was used by the Company to partially reduce the receivables from ODB relative to the current account agreement between the parties.

According to the final and unappealable decision, Eletrobras was sentenced to (i) monetarily adjust the payments made by the plaintiff from 1977 up to 1994, as Eletrobras Compulsory Loan ("ECE") determined by Law 4,156/62, using the monetary adjustment rates determined in such legal decision; (ii) pay interest at the rate of 6% per year, according to Law 5,073/66, on the difference in the monetary adjustment; and (iii) reimburse the legal costs and pay the loss of lawsuit fees.

Further to the final and unappealable decision, the following events have occurred in respect of the legal action: (i) proposition of credit execution against Eletrobras, in the amount of R\$ 261,557, adjusted through July 1, 2006; (ii) payment in court by Eletrobras of part of the executed amount of R\$ 71,187; and (iii) challenge by Eletrobras for the purpose of discussing the criteria for calculating the amount of the remaining balance, offering the registered preferred shares of a subsidiary in guarantee sufficient to cover the remaining balance.

In January 2008, the Company received a portion of the payment made in court in the amount of R\$ 59,104 and awaits the completion of the expert's report to determine the difference challenged by Eletrobras.

On May 31, 2012, the Eletrobras credits were sold to third parties for the amount of R\$ 106,800 – US\$ 52,263, which was fully received by the Company on June 27, 2012, resulting in a financial effect of R\$ 160,484 – US\$ 78,534 recognized in the statement of income (Note 17).

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11 Investments

(a) Information on the investees

At December 31, 2012 and 2011, the balance of the investments in associates mainly relate to the indirect holding in Braskem S.A. through the investees Belgrávia and Odebrecht Serviços e Participações S.A. (“OSP”), which is recorded using the equity method.

(i) Main information

	OSP	
	2012	2011
Number of shares hold - preferred	737,328,531	737,328,531
Direct holding (%)	41.47	41.47
Stockholder's equity - (In thousand of R\$)	2,698,777	2,960,988
Stockholder's equity - (In thousand of US\$)	1,320,664	
	Years ended December 31	
	2012	2011
Loss for the year - (In thousand of R\$)	(332,050)	(214,102)
Loss for the year - (In thousand of US\$)	(162,491)	

(ii) Changes in the investments in an associate - OSP

	2012		2011
	US\$		R\$
Balance at the beginning of the year - OSP	600,891	1,227,922	1,297,759
Carrying value adjustments	6,535	13,354	18,951
Equity in results	(59,747)	(122,093)	(88,788)
Balance at the end of the year - OSP	547,679	1,119,183	1,227,922
Others	116,288	237,634	127,631
Total associated Companies	663,967	1,356,817	1,355,553

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12 Property and Equipment

	2012		2011		% Annual depreciation rates
	Cost	Accumulated depreciation	Net		
	R\$	US\$	R\$		
Land	41,571	20,343	41,571	36,385	
Buildings and installations	440,869	(84,261)	174,508	356,608	4
Machinery and equipment	2,281,683	(1,331,303)	465,075	950,380	1 to 17
Vehicles and ships	529,822	(317,846)	103,732	211,976	25
Furniture and fixtures	139,469	(45,707)	45,883	93,762	10
IT equipment	93,716	(55,733)	18,587	37,983	20
Construction in progress	38,480		18,830	38,480	
Others	191,275	(66,363)	61,127	124,912	1 to 10
	<u>3,756,885</u>	<u>(1,901,213)</u>	<u>908,085</u>	<u>1,855,672</u>	<u>1,774,389</u>

(i) Changes in property and equipment:

	Years ended December 31		
	2012	2011	
	US\$	R\$	
At the beginning of the year	868,309	1,774,389	1,396,280
(+) Additions	355,258	725,969	468,145
(-) Transfer			(24,931)
(-) Disposals	(199,425)	(407,525)	(88,397)
(-) Depreciation	(191,774)	(391,891)	(354,572)
(+) Exchange variation	75,717	154,730	377,864
At the end of the year	<u>908,085</u>	<u>1,855,672</u>	<u>1,774,389</u>

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13 Debts

Financial institution/type of loans	Currency	Annual financial charges
Banco do Brasil (c)	R\$	113.00% CDI
Itaú-Unibanco (b)	US\$	Libor + 1.90% + EV / 5.73% to 7.18% + EV
Bradesco (b)	US\$	Libor + 5.10% + EV
HSBC (b)	US\$	Libor + 4.50% + EV / 6.85% + EV
RBS-ABN Amro Bank	US\$	Libor + 0.275% + EV
Votorantim (c)	US\$	7.50% + EV
Banesco	US\$ / VEF	7.00% to 16.50% + EV
Safra (b)	US\$	Libor + 2.15% to 3.70% + EV / 5.90% + EV
Landesbank Baden	US\$ / €	Libor + 2.025% + EV / Euribor + 2.375% + EV
Banco de Venezuela	VEF	7.00% to 17.00% + EV
Banco Mercantil de Venezuela	VEF	11.00% + EV
Bancaribe	VEF	16.00% to 18.05% + EV
BBVA Trade Finance	US\$	4.04% + EV
Banco Exterior	VEF	12.00% to 17.00% + EV
IKB Deutsche Bank	US\$	Libor + 0.95% + EV
Banco del Sur	VEF	18.00% to 22.00% + EV
Banco Venezolano de Credito	VEF	16.00% + EV
Banco de Bogota	COP	DTF + 4.00% + EV
Banco Nacional de Credito	VEF	18.00% + EV
Banco de Credito del Peru	US\$	4.17% to 4.64% + EV
Banco Alfa	R\$	TJLP + 4.20% / fixed interest 8.70%
CAT Financial	R\$	115.00% + CDI
Banco Mercedes	R\$	Fixed interests 8.34% to 10.00%
Banco Pine	R\$	Fixed interests 5.50%
Banco ABC	R\$	5.50% to 10.00%
FINAME	R\$	TJLP + 0.86% to 3.00% / fixed interests 4.50%
FINEP	R\$	Fixed interests 5.25%
CCB Mercado de Capitais	R\$	IPCA + 9.84%
PEC	R\$	TJLP + 5.30%
Several foreign financial institutions	US\$ / €	4.50% to 6.00% + EV / Euribor + 5.00% to 7.00% + EV
Several brazilian financial institutions	R\$ / US\$	5.50% to 13.60% / Libor + 1.20% + EV

(-) Non-current liabilities

Current liabilities

Abbreviations:

CDI - Interbank Certificate Deposit
 EV - Exchange variation
 LIBOR - London Interbank Offered Rate
 COP - Colombian Peso
 DTF - Deposits to Fixed Terms Rate
 IPCA - Amplified Consumer Price Index
 US\$ - American dollar
 R\$ - Brazilian reais

FINAME - Financing of Machinery and Equipment
 VEF - Venezuelan Bolivares
 TJLP - Long-term Interest Rate
 FINEP - Financing of Development and Projects
 CCB - Bank Credit Certificate
 Euribor - Euro Interbank Offered Rate
 PEC - Special Credit Program
 € - Euro

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

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

	2012		2011
	US\$		R\$
2013			225,930
2014	112,882	230,674	90,119
2015	21,663	44,269	83,435
2016	21,175	43,272	32,066
2017	12,454	25,450	23,379
2018	8,685	17,747	17,206
2019	5,514	11,267	11,668
2020	2,019	4,125	
2021 and thereafter	1,651	3,374	
	186,043	380,178	483,803

The fair value of non-current loans are the same as their carrying amount and are based on discounted cash flows, as shown in the table below:

Long term	2012		2011	
	Book value	Fair value	Book value	Fair value
Local currency (Reais)	133,813	133,813	172,640	172,640
Foreign currency	246,365	246,365	311,163	311,163
In R\$	380,178	380,178	483,803	483,803
In US\$	186,043	186,043		

The Company's loans were contracted in the following currencies:

	2012		2011
	US\$		R\$
Local currency (Reais)	86,464	176,690	310,768
Foreign currency (U.S. dollars)	177,713	363,157	725,816
Foreign currency (others)	151,786	310,172	200,948
	415,963	850,019	1,237,532

(i) Additional information on debts:

- (a) On May 18, 2006 OOL raised with financial entities in the international market, a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 300,000 maturing in February 2010, with financial charges equivalent to LIBOR plus 1.15% p.a. If the credit line is not used, the financial charges are equivalent to 0.65% p.a. payable monthly. In January 2010, this revolving credit line was renewed for another 3 years and increased to US\$ 500,000. The financial charges are equivalent to LIBOR plus 3.00% p.a. When the credit line is not being used, the charges are equivalent to 1.00% p.a. payable monthly. As of December 31, 2012 and 2011, this credit line is not being used. This operation was terminated on December 6, 2012.

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On June 28, 2012, OOL raised with financial institutions in the international market a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 245,000, maturing in June 2015 and with financial charges equivalent to LIBOR plus a margin that varies according to the rating of the guarantor's debt. When the credit line is not being used, the charges are equivalent to 0.525% p.a. payable monthly. Since the date of hire until December 31, 2012, this credit line was not used.

On December 13, 2012, OOL raised with financial institutions in the international market a new credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 605,000, maturing in December 2015 and with financial charges equivalent to LIBOR, plus a margin that varies according to the rating of the guarantor's debt. When the credit line is not being used, the charges are equivalent to 0.525% p.a. payable monthly. Since the date of the contract until December 31, 2012, this credit line was not used.

- (b) In June 2008, OOL contracted import financing (FINIMP) falling due within up to three years of the issue date. On October 31, 2012 and December 20, 2012, the Company settled this credit line whose balance amounted to R\$ 275,954 at December 31, 2011.
- (c) In September 2008, the CNO's subsidiary Olex started to borrow via export credit notes (NCE), falling due within five years after the issue date. On December 19, 2012, the Company settled this credit line whose balance amounted to R\$ 104,344 at December 31, 2011.

(ii) Guarantees

Odebrecht Finance Ltd. ("OFL"), a subsidiary of ODB, completed the following funding operations of which the Company is the guarantor:

- . On October 18, 2007, OFL placed US\$ 200,000 in bonds in the international financial markets. These bonds mature in October 2017 and have a call (repurchase) option in 5 years. On April 7, 2008, OFL increased the amount of this operation raising an additional US\$ 200,000 with the same characteristics of the existing operation. On April 5, 2011, OFL repaid US\$ 287,162 of this funding through a Tender Offering. On October 18, 2012, OFL realized a call option of these bonds and redeemed all of the remaining balance for US\$ 112,838 principal and US\$ 4,231 interest.
- . On April 9, 2009, OFL once again placed US\$ 200,000 in bonds on the international financial markets. These bonds mature on April 9, 2014. On April 5, 2011, OFL repaid the amount of US\$ 156,116 of this funding through a Tender Offering.
- . On October 21, 2009, OFL raised a further US\$ 500,000 in bonds on the international financial markets. These bonds mature on April 21, 2020 and have a repurchase option after five years. On November 5, 2012, OFL repaid US\$ 379,033 of this funding through a Tender offer of the 2042 Bond, as described below and on November 23, 2012, repaid US\$ 2,375 in cash.
- . On September 14, 2010, OFL completed another funding operation on the international financial markets raising US\$ 500,000 in Perpetual Bonds with a repurchase option after five years. On November 9, 2011, it raised a further US\$ 250,000 in Perpetual Bonds in the international financial markets under the same conditions as those of the original issue.

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- . On April 5, 2011, it raised a further US\$ 500,000 in bonds in the international financial markets. These bonds mature on April 5, 2023. This funding was used to partially amortize the bonds that mature in 2014 and 2017, in the amounts of US\$ 156,116 and US\$ 287,162 respectively, as described above. On January 26, 2012, OFL raised US\$ 300,000 in bonds 2023 in the international financial markets under the same conditions as those of the original issue. On November 5, 2012 and November 21, 2012, OFL repaid US\$ 37,837 and US\$ 33,130, respectively, of this funding through a Tender offer of 2042 Bonds.
- . On June 26, 2012, OFL raised US\$ 600,000 and US\$ 400,000 in bonds in the international financial markets. These bonds mature on June 26, 2022 and June 26, 2042, respectively. On November 1st, 2012, OFL increased the 2042 bond by raising a further US\$ 450,000 with the same characteristics of the existing operation. The proceeds from this issue were used to partially settle the bonds maturing in April 2020 and April 2023, amounting to US\$ 379,033 and US\$ 70,967, respectively, as described above.

The total balance, net of transaction costs on December 31, 2012, is US\$ 3,055,869 (2011 – US\$ 1,898,872). All bonds above are unconditionally and irrevocably guaranteed by CNO.

(iii) Covenants

Some financing agreements and issues of securities of the Company and its subsidiaries, including other Odebrecht organization companies of which the Company is a guarantor, have restrictive covenants that are being complied with.

14 Current and Deferred Income Tax and Social Contribution

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

(a) Recognition of deferred income tax and social contribution

The assets balances relate to income tax and social contribution loss carryforwards and to temporary differences arising mainly from the Company and its indirect subsidiaries

The liability balances relate to income tax and social contribution on profits accrued with government entities and the effects of foreign exchange variations, mainly in the Company and its subsidiaries, which will be taxed upon receipt since the Company opted for the cash method.

The breakdown of the deferred income tax and social contribution accounts on December 31, 2012 and 2011 is as follows:

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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

(i) Income tax

				2012	2011
	On temporary differences	Deferred income and exchange variation	Accumulated income tax losses	Other	Total
					Total
In R\$					
Non-current assets	168,566			(44,418)	124,148
Non-current liabilities		(226,372)		4,775	(221,597)
					222,674
					(260,264)
In US\$					
Non-current assets	82,489			(21,736)	60,753
Non-current liabilities		(110,777)		2,337	(108,440)

(ii) Social contribution

				2012	2011
	On temporary differences	Deferred income and exchange variation	Accumulated social contribution tax losses	Other	Total
					Total
In R\$					
Non-current assets	57,025		2,403	(26,192)	33,236
Non-current liabilities		(77,958)		13,730	(64,228)
					50,130
					(90,212)
In US\$					
Non-current assets	27,906		1,176	(12,818)	16,264
Non-current liabilities		(38,149)		6,719	(31,430)

(b) Recoverability of recorded deferred income tax and social contribution assets

At December 31, 2012, the Company and its subsidiaries have deferred income tax and social contribution liabilities recognized mainly on the profit with governmental entities and deferred income and foreign exchange variation in Brazil.

The asset balances mainly relate to temporary differences based on the realization of such differences, supported by the forecast on future results in other countries.

This forecast includes, as basic assumptions, the continuing increase in the order backlog (portfolio of revenues already contracted by the Company and its subsidiaries) in recent years; the expectation of increased investments in Brazil's power and infrastructure sectors; as well as the recognition, for tax purposes, of the operating results of foreign subsidiaries on the applicable balance sheet date.

Additionally, the Company has realized and cumulatively reduced its net balance of deferred income tax and social contribution assets in the past three years.

(c) Foreign income tax

In the year ended December 31, 2012, the income tax expense incurred overseas is represented primarily by the taxes generated by operations of the Company in Angola R\$ 90,236 – US\$ 44,158 (2011 - R\$ 76,428), Argentina R\$ 82,580 – US\$ 40,411 (2011 - R\$ 51,071), Venezuela R\$ 305,779 – US\$ 149,635 (2011 - R\$ 186,058) and Peru R\$ 77,312 – US\$ 37,833 (2011 – R\$ 92,003).

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2012

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(d) Tax incentives – corporate income tax

The Company, by means of the constitutive report No. 0219/2006, of October 9, 2006, issued by the Agência de Desenvolvimento do Nordeste - ADENE of the Ministry of National Integration, acquired the right to a benefit of a 75% reduction, until the base year 2016 (calendar year 2015), of the income tax otherwise payable on the profit arising from the branch established for the manufacturing and assembly of sea platforms for oil exploration contracted by Petrobras and PNBV. The manufacturing and assembly plant is established at Vila de São Roque de Paraguaçu, in the city of Maragogipe, State of Bahia.

15 Equity

(a) Capital

At December 31, 2012, capital amounts to R\$ 2,086,905 – US\$ 1,021,241 (2011 – R\$ 2,096,603), subscribed and paid up entirely by Brazilian individuals and legal entities and comprised 163,298,207 (2011 – 163,298,207) common shares and 118,800,974 (2011 – 118,800,974) preferred shares with no par value.

On June 30, 2011, the Company's capital was reduced by R\$ 91,547, from R\$ 1,113,126 to R\$ 1,021,579, without the cancellation of shares. In connection with this reduction, the investment held by the Company in OPIP was transferred to ODB (Note 1 (i)).

On December 20, 2011, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 6,677, from R\$ 1,021,579 to R\$ 1,014,902, without the cancellation of shares, and the investment in and the accounts receivable from Porto Novo were transferred to ODB (Note 1 (i)).

On December 29, 2011, the increase in the Company's capital by R\$ 1,113,126, from R\$ 1,014,902 to R\$ 2,128,028 was approved by means of the capitalization of the total balance of the Legal Reserve and Reserve for Investments (Note 1 (i)).

Additionally, on December 30, 2011, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 31,425, from R\$ 2,128,028 to R\$ 2,096,603, without the cancellation of shares. In connection with this reduction, the investments held by the Company in Porto Novo and MESA, in the amount of R\$ 14,868 and R\$ 16,557, respectively, were transferred to ODB (Note 1 (i)).

On December 20, 2012, the Extraordinary General Stockholders' Meeting approved the reduction of the Company's capital by R\$ 9,698 – US\$ 4,746, from R\$ 2,096,603 – US\$ 1,025,986 to R\$ 2,086,905 – US\$ 1,021,240, without the cancellation of shares. As a result of this reduction, the investment held by the Company in CRM was transferred to ODB (Note 1 (i)).

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Notes to the Consolidated Financial Statements at December 31, 2012

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(b) Appropriation of profit

According to the Company's bylaws, appropriations of net income for the year (proposed as follows), including the distribution of dividends, will be resolved upon at the General Stockholders' Meeting.

(i) Legal reserve

This reserve is established through the appropriation of 5% of profit of each year until the reserve equals 20% of total capital or until its balance, plus capital reserves, exceeds 30% of total capital.

Management will propose to the Board of Directors during the Ordinary General Stockholders' Meeting, the capitalization of Legal Reserve, to increase the share capital of the Company.

(ii) Unrealized revenue reserve

This reserve was established based on unrealized profit according to items I and II of the 1st paragraph of Article 197 of Brazilian Corporate Law, whose the future realization will occur in accordance with legislation above.

On December 31, 2012, the amount appropriated to the unrealized revenue reserve is R\$ 754,752 – US\$ 369,343 (2011 – R\$ 452,135).

(iii) Reserve for investments (statutory)

Refers to the remaining balance of retained earnings until, together with the legal reserve, it reaches 100% of total capital, in order to meet the business growth projections established in the Company's investment plan according to the capital budget approved and proposed by the Company's management, ratified by the General Stockholders' Meeting held on April 27, 2012, in accordance with Article 196 of Brazilian Corporate Law.

The amount appropriated to the reserve for investments in the year ended December 31, 2011 was R\$ 284.865 – US\$ 139,401.

(iv) Revenue reserve – tax incentives

In compliance with Law No. 11,638/07 and CPC 07 – Government grants and assistance, the amounts related to the tax incentive determined as described in Note 14 (d) were accounted for in the statement of income and subsequently allocated to the Revenue reserve – tax incentives. This reserve may only be used to increase capital or offset losses, as provided for in Article 545 of the Income Tax Regulations.

As a result of the changes introduced by Laws No. 11,638/07 and No. 11,941/09 and Provisional Measure No. 449/08, the balance of the tax incentives reserve was reclassified from capital reserve to revenue reserve.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

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(v) Reserve for future capital increase

The Company's management approved the recognition of this reserve, for the amount of R\$ 1,751,054, which exceed the appropriation of profit for the years ended December 31, 2010 and 2009, after the distribution of dividends and transfers to the legal and investments reserves, in compliance with Article 199 of Law No. 11,638/07, which determines that the balance of revenue reserves cannot exceed the amount of capital. The purpose of this reserve is to increase capital in order to meet the needs of the expected volume of business and investments in the coming years.

(c) Carrying value adjustment

This account was established by Law No. 11,638/07 to record the amounts in equity that have not yet been recognized in the profit or loss for the year. The effects of these amounts on profit or loss for the year will be recognized upon their effective realization. The changes in this account in the years ended December 31, 2012 and 2011, were as follows:

		2012	2011
	US\$		R\$
At the beginning of the year	105,842	216,289	(69,758)
Carrying value adjustments in investees	(931)	(1,903)	9,480
Exchange variation on foreign investments	117,810	240,745	276,567
At the end of the year	222,721	455,131	216,289

(d) Share rights

Preferred shares, which are non-voting, have priority in the event of capital reimbursement upon liquidation and, based on Law No. 10,303/01, the preferred and common shares have the same right with regards to the receipt of dividends. All stockholders are assured an annual dividend of at least 25% of adjusted net income for the year, calculated in accordance with Brazilian Corporate Law.

The Company's management resolved to distribute dividends at an amount lower than the minimum compulsory dividend for the year ended December 31, 2012 at the amount of R\$ 100,000 – US\$ 48,936, in accordance with the approval of all stockholders in a formal letter forwarded to management this distribution will also be ratified at the General Stockholders' Meeting to be held on April, 2013.

The undistributed balance of the minimum compulsory dividend, as well as the remaining portion of retained earnings, were appropriated to the unrealized revenue reserve.

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16 Service revenue

The reconciliation of gross revenue from services rendered with net revenue is as follows:

	Years ended December 31,		
		2012	2011
	US\$		R\$
Continuing operations			
Domestic market	5,422,924	11,081,746	9,916,942
Foreign market	8,880,717	18,147,746	12,282,686
	14,303,642	29,229,492	22,199,628
Taxes and contributions on services	(252,700)	(516,393)	(676,897)
Net service revenues	14,050,942	28,713,099	21,522,731

17 Finance result, Net

	Years ended December 31,		
		2012	2011
	US\$		R\$
Income from financial investments	238,578	487,535	280,289
Exchange variation expense	(522,906)	(1,068,559)	(759,097)
Exchange variation income	343,789	702,533	388,396
Financial charges on debts	(92,485)	(188,993)	(148,946)
Bank commissions	(68,269)	(139,507)	(78,349)
Others, net (*)	(217,377)	(444,211)	(185,998)
	(318,670)	(651,202)	(503,705)

(*) It refers mainly to the effects of the sale of the Eletrobras credits in the amount of R\$ 160,484 – US\$ 78,534 (Note 10).

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Notes to the Consolidated Financial Statements at December 31, 2012

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18 Income Tax and Social Contribution Expense

	Years ended December 31,		
		2012	2011
	US\$		R\$
Deferred social contribution	10,010	20,455	49,861
Current social contribution	(27,742)	(56,690)	(52,966)
Others	(3,372)	(6,892)	
Total - social contribution	<u>(21,104)</u>	<u>(43,127)</u>	<u>(3,105)</u>
Deferred income tax	27,867	56,947	138,381
Current income tax	(77,564)	(158,503)	(142,113)
Foreign income tax (branches and subsidiaries)	(304,130)	(621,490)	(433,768)
Others	(23,492)	(48,005)	
Total - income tax	<u>(377,319)</u>	<u>(771,051)</u>	<u>(437,500)</u>

19 Insurance coverage

Consistency in the approach to risks at the Odebrecht Organization is ensured by the Insurance and the Finance and Guarantees Policies ("Policies"), which establish the basic concepts, general guidelines and authority for contracting and administering insurance and guarantees, and for the relationship with the insurance market.

The Policies, which cover insurance and guarantees contracted through insurance companies, are: (i) complied with by ODB and its closely-held subsidiaries, (ii) used as a guideline in the preparation of the Policies of the listed companies controlled by ODB, and (iii) used as a reference in the voting of its representatives for the approval of similar policies in joint ventures or jointly-controlled companies.

OCS, a wholly-owned subsidiary of ODB, which has international experience and operates worldwide, in line with ODB, is responsible for applying the Policy and supporting risk management at the level of the Odebrecht Organization, ensuring contracting at adequate prices and appropriate coverage for each contract or venture in the engineering and construction segment.

In the years ended December 31, 2012 and 2011, the Policies were fully complied with. We are not aware of any risk covered by the Policies that has not been duly analyzed and mitigated, or of any loss event that has not been properly covered.

At December 31, 2012, the insurance coverage of the Company and its subsidiaries amounts to US\$ 42,530,318 - R\$ 86,910,705 (2011 - US\$ 48,709,676). The Company and its subsidiaries have Surety Bond operations, which, on December 31, 2012, amounted to US\$ 9,760,788 - R\$ 19,946,171 (2011 - US\$ 8,646,290).

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Notes to the Consolidated Financial Statements at December 31, 2012

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20 Provisions for Tax, Labor and Civil Contingencies

- (i) On December 31, 2012, the Company and its subsidiaries have provisions of R\$ 77,595 – US\$ 37,972 (2011 - R\$ 98,945) recorded in current liabilities and R\$ 15,567 – US\$ 7,618 (2011 - R\$ 8,706) recorded in non-current liabilities to cover labor, tax and civil claims, which, in the opinion of management and its legal advisors, have a probable chance of unfavorable outcome.

In addition, the Company and its indirect subsidiary CBPO are defending labor and tax claims amounting to R\$ 261,452 – US\$ 127,943 (2011 - R\$ 241,009), as well as civil claims of R\$ 393,608 – US\$ 192,615 (2011 - R\$ 362,832), for which no provision for losses has been recorded because management and the legal advisors believe that the chances of losses arising from the final decision in these cases are possible.

In November 2009, the Company joined a tax debt refinancing program established by Law No. 11,941/09 and Provisional Measure No. 449/08 in order to settle its tax liabilities by means of a special installment system for the payment of its tax and social security obligations. At June 30, 2011, the corresponding balance, amounting to R\$ 211,691, was divided into 161 monthly installments for the PAEX balance and 11 months for the other debts. The remaining balance at December 31, 2012 is equivalent to R\$ 57,046 – US\$ 27,916 (2011 – R\$ 119,171), and it is recorded in non-current liabilities at the amount of R\$ 45,826 – US\$ 22,425 (2011 – R\$ 53,425), and the remaining balance at the amount of R\$ 11,220 – US\$ 5,491 (2011 – R\$ 65,746) is recorded in “Taxes, fees, salaries and payroll charges” in current liabilities.

- (ii) In 2008, the Company’s branch in Venezuela was inspected by the Integrated National Customs and Tax Service (SENIAT), equivalent to the Brazilian Federal Revenue Service for federal taxes (IVA– Value-added Tax and ISLR - Income Tax), with respect to the income tax returns for 2006 and 2007. As a result of this inspection, the Venezuelan tax authority raised additional income tax assessments against this branch.

The Company, based on the assessments of the inspection, accepted and paid in November 2008 the amount of US\$ 14,497 - R\$ 29,625, including fine and interest charges of US\$ 5,600 – R\$ 11,444, for 2006 and US\$ 8,897 – R\$ 18,181, for 2007.

In June 2012, the Company’s branch in Venezuela received the final decision about the administrative appeal in court performed in 2006 and 2007, which resulted in a payment, on June 22, 2012 of the amount of US\$ 1.9 million– R\$ 3.9 million, including interest and fine, and subsequently, on August 9, 2012, an additional payment of interest, in the amount of US\$ 619 – R\$ 1,265.

The previously recorded provision, in the amount of US\$ 9,294 – R\$ 18,992, which was considered by the management sufficient to cover possible losses and which was supported by the opinion of its external legal advisors was reversed in order of the final outcome of the process.

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21 Odebrecht Organization Companies

Balance sheet

	Non-current receivables	Non-current liabilities
Aqueduct Trading Services Co. Inc. ("Aqueduct")		80,057
ODB (*)	432,835	
Odebrecht International Corporation ("ODBIC")		178,846
Odebrecht Energia Participações ("OEP")	16,436	
Concessionária Travase Olmos ("OLMOS")	35,908	
OCS International Ltd. ("OCSI")		12,159
Odebrecht Peru Inversiones em Infraestructura S.A. ("OPII")	156,989	
ONL Investimentos B.V.	4,115	
Biocom - Companhia de Bioenergia de Angola, Limitada. ("Biocom")	195,767	
Others	29,467	28,871
Balance at December 31, 2012 - R\$	<u>871,517</u>	<u>299,933</u>
Balance at December 31, 2012 - US\$	<u>426,483</u>	<u>146,774</u>
Balance at December 31, 2011 - R\$	<u>1,144,488</u>	<u>174,121</u>

(*) The balances of the Odebrecht Organization companies with ODB and OFL are presented on a net basis and are offset against the main balances maintained by the Company amounting to R\$ 4,516,032 – US\$ 2,209,950.

Financial income

	Years ended December 31,	
	2012	2011
	US\$	R\$
Aqueduct	(469)	(1,055)
	<u>(469)</u>	<u>(1,055)</u>

The main balances with the Organization Companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the Organization companies. The operations consist of lending of funds, assignments of credits and assumptions of obligations and are not subject to financial charges. Finance income and costs is mainly represented by the foreign exchange variation in the balances with related companies overseas.

* * *

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 realized 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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