

ODEBRECHT ENGENHARIA E CONSTRUÇÃO
S.A.

Independent auditor's review report on
the interim information

Interim consolidated condensed financial
statements

As at June 30, 2020

ODEBRECHT ENGENHARIA E CONSTRUÇÃO S.A.

Interim consolidated condensed financial statements
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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

To the
Stockholder and Management of
Odebrecht Engenharia e Construção S.A.
São Paulo - SP

We have reviewed the accompanying interim consolidated condensed financial statements of Odebrecht Engenharia e Construção S.A. ("Company") as at June 30, 2020, which comprise the balance sheet as at June 30, 2020, and the respective income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the period then ended, including the resume of the principal accounting practices and other explanatory notes.

The preparation of these financial statements is responsibility of the Company's management according to the Brazilian Accounting Standard - NBC TG 21 (R3) - Interim Information. Our responsibility is to issue a report on these financial statements based on our review.

Extension of the review

We conducted our review in accordance with the Brazilian and International Standards on Review Engagements (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade e ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). These Standards requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Base for qualified conclusion about the interim consolidated condensed information

Whistleblowing complaints and global agreement with authorities

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

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

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

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

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

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

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

CNO has been negotiating with states and municipalities the signing of agreements and/or adherences to the Leniency Agreement according to which, in consideration for not adopting sanctions against it, it will undertake to cooperate with the authorities and indemnify those injured.

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

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

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

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

However, considering the current stage of the negotiations and agreements in course, we were unable, applying alternative audit procedures, to obtain appropriate and sufficient audit evidences to conclude about the sufficiency of the registered accruals and if it would be necessary the register of other accruals on the consolidated financial statements of the Company at June 30, 2020.

Registration of warranty obligation arising from Odebrecht Finance Ltd. Bonds

As described in Note 1 (c) to the financial statements, Odebrecht Finance Ltd. ("OFL") did not settle the interest installment related to the Bond 2025 and the Company, OEI and the CNO, in the capacity of guarantors of OFL Bonds, aiming at preserving their operational liquidity, did not pay them either. Also, the interest installments related to the Bonds 2020, 2022, 2023, 2029, 2042 and the Perpetual Bonds ("Bonds") that fell due between December 2018 and December 2019 have not been paid. The amount that had not been settled by June 30, 2020 was US\$ 420.199 - R\$ 2.301.010 (June 30, 2020 - US\$ 255.691 mil).

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

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

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

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

The Company completed the negotiations with the Ad Hoc Group and launched, on June 15, 2020, the Consent Solicitation in the market based on the terms and conditions of the Term Sheet and obtained in July, 31 a quorum higher than 60% of the OFL Bond holders, thus allowing for the ratification in Brazil of the Extrajudicial Recovery necessary for the implementation of the Bonds' restructuring, on August 20, 2020. As a result, the balance of the provision for guarantee has been adjusted based on the fair value of the OFL Bonds. On June 30, 2020, the balance of the above mentioned guarantee is US\$ 649,156 - R\$ 3,554,778.

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

Thus, due to the pending formal documentation, it was not possible, through alternative audit procedures, to identify whether adjustments or additions to the amounts recorded in the consolidated financial statements of June 30, 2020 would be necessary.

Qualified conclusion about the interim consolidated condensed information

Based on our review, except for the possible effects of the matters described in the topic Base for qualified conclusion about the interim consolidated information, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view or are not presented fairly, in all material respects, in accordance with Brazilian Accounting Standard NBC TG 21 (R3), applicable to preparation of Interim Information.

Relevant uncertainty related to operational continuity

On June 30, 2020, the Company presented consolidated current liabilities in excess of consolidated current assets, by R\$ 5,406,617, and negative consolidated shareholders' equity by R\$ 15,450,570. In order to guarantee the operational continuity of the Company and its subsidiaries, on December 17, 2019, the Action Plan ("PA") was approved by the Board of Directors, for the next three years, as shown in Note 1 (g). The financial statements were prepared on the assumption that the Company will continue as a going concern and do not include any adjustments related to the realization and classification of asset values or the settlement and classification of liabilities that would be required if the Company is unable to continue operating. If the condensed consolidated interim financial information had been prepared considering the discontinuity of operations, they could have presented values different from those presented. Our conclusion is not qualified as a result of this matter.

Other matters

Audit of the financial statements of December 31, 2019 and review of the interim financial statements of June 30, 2019

The amounts corresponding to the financial statements for the year ended December 31, 2019 were audited by us and the report thereon, dated May 05, 2020, had qualification about the Investigations and other legal procedures conducted by Federal Public Prosecution Office and other public authorities and emphasis matter about the restatement of the financial statements on December 31, 2018.

The amounts corresponding to the interim financial statements for the period ended June 30, 2019, were reviewed by us and the report thereon, dated September 30, 2019, had qualification about the Investigations and other legal procedures conducted by Federal Public Prosecution Office and other public authorities and emphasis matter about the restatement of the financial statements on December 31, 2018.

São Paulo, September 10, 2020.

Odebrecht Engenharia e Construção S.A. and its Subsidiaries

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

			June 30, 2020	December 31, 2019				June 30, 2020	December 31, 2019
	Note	US\$		R\$		Note	US\$		R\$
Assets					Liabilities and Net Capital Deficiency				
Current Assets					Current liabilities				
Cash and Cash Equivalents	5	258,962	1,418,076	482,425	Debts	17	747,198	4,091,657	2,949,084
Financial Instruments	6	13,859	75,892	70,700	Leases	21	5,247	28,735	21,223
Trade Accounts Receivable	7	575,247	3,150,052	4,014,765	Suppliers and Subcontractors	18	899,321	4,924,683	4,087,264
Advances to Suppliers, Subcontractors and Others		52,444	287,186	217,485	Taxes, Fees, Salaries and Social Contributions	19	153,811	842,267	1,153,970
Taxes Recoverable	8	111,069	608,216	490,258	Advances from Customers	7	214,976	1,177,210	1,173,095
Inventories	9	105,580	578,158	457,493	Current Accounts with Consortium Members		90,327	494,629	371,529
Current Accounts with Consortium Members		77,398	423,833	379,226	Provisions for Tax, Labor, Civil and Others Contingencies	20	95,451	522,689	396,486
Prepaid Expenses		6,751	36,968	35,052	Other Liabilities	22	136,998	750,199	527,130
Other Assets	10	154,689	847,071	945,062					
		<u>1,355,999</u>	<u>7,425,452</u>	<u>7,092,466</u>			<u>2,343,329</u>	<u>12,832,069</u>	<u>10,679,781</u>
Non-current assets held for sale and discontinued operations 13 (a)		14,515	79,484	452,480	Non-Current Liabilities				
Non-Current Assets					Debts	17	19,898	108,961	80,234
Long-term Receivables					Leases	21	23,439	128,352	130,773
Odebrecht Group Companies	11	617,790	3,383,020	2,714,397	Suppliers and Subcontractors	18	1,514	8,291	8,519
Trade Accounts Receivable	7	450,020	2,464,308	1,984,540	Taxes, Fees, Salaries and Social Contributions	19	8,402	46,010	49,490
Deferred Income Tax and Social Contribution	12 (a)	215,508	1,180,121	825,517	Advances from Customers	7	1,565,878	8,574,750	6,498,549
Taxes Recoverable	8	10,749	58,861	50,630	Odebrecht Group Companies	11	826,340	4,525,040	3,636,945
Other Assets	10	141,961	777,379	568,754	Deferred Income Tax and Social Contribution	12 (a)	125,213	685,667	314,768
		<u>1,436,028</u>	<u>7,863,689</u>	<u>6,143,838</u>	Provisions for Tax, Labor, Civil and Others Contingencies	20	895,259	4,902,437	3,952,303
					Provision for net capital deficiency	14 (b)	52,800	289,134	206,346
					Other Liabilities	22	93,615	512,638	497,878
							<u>3,612,358</u>	<u>19,781,280</u>	<u>15,375,805</u>
Investments					Net Capital Deficiency				
Associated Companies	14 (b)	126,435	692,359	246,038	Capital	23 (a)	1,784,447	9,771,631	9,771,631
Property and Equipment	15	134,251	735,161	683,444	Carrying Value Adjustments	23 (b)	605,937	3,318,111	1,768,442
Intangible Assets		30,650	167,838	166,550	Accumulated Deficit		(5,211,890)	(28,540,312)	(22,587,128)
Right of use	16	21,310	116,696	126,526			<u>(2,821,506)</u>	<u>(15,450,570)</u>	<u>(11,047,055)</u>
Others		562	3,075	3,075			<u>(14,431)</u>	<u>(79,025)</u>	<u>(94,114)</u>
		<u>1,763,751</u>	<u>9,658,302</u>	<u>7,821,951</u>	Non-Controlling Interest		<u>(2,835,937)</u>	<u>(15,529,595)</u>	<u>(11,141,169)</u>
Total Assets		<u>3,119,750</u>	<u>17,083,754</u>	<u>14,914,417</u>	Total Liabilities and Net Capital Deficiency		<u>3,119,750</u>	<u>17,083,754</u>	<u>14,914,417</u>

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

Odebrecht Engenharia e Construção S.A. and its Subsidiaries

Interim Consolidated Condensed Statements of Income Six-month periods ended June 30 In thousands of reais and U.S. dollars, unless otherwise indicated

		2020		2019
	Note	US\$		R\$
Continuing operations				
Net services and sales revenues	24	214,791	1,176,193	2,821,062
Cost of services rendered	25	(175,578)	(961,463)	(2,261,631)
Gross profit		39,213	214,730	559,431
Operating expenses				
General and administrative and selling expenses	25	(84,366)	(461,990)	(479,874)
Other income (expenses), net		(2,846)	(15,590)	71,245
Operating profit (loss)		(47,999)	(262,850)	150,802
Results from investments				
Results from equity investments	14 (b)	3,750	20,534	(299,871)
Financial result				
Financial result, net	26	(817,831)	(4,478,444)	(2,548,152)
Loss before social contribution and income tax		(862,080)	(4,720,760)	(2,697,221)
Current income tax and social contribution	27	12,327	67,501	(158,055)
Deferred income tax and social contribution	27	(7,331)	(40,144)	23,866
Loss of continued operations for the period		(857,084)	(4,693,403)	(2,831,410)
Discontinued Operations				
Loss of discontinued operations for the period	13 (b)	(236,972)	(1,297,658)	286,252
Loss for the period		(1,094,056)	(5,991,061)	(2,545,158)
Attributable to:				
Company's Stockholders		(1,087,094)	(5,952,929)	(2,528,722)
Non-controlling interest		(6,963)	(38,132)	(16,436)
		(1,094,057)	(5,991,061)	(2,545,158)
Basic losses per share from continuing and discontinuing operations attributable to stockholders at the end of the period (in R\$ and US\$ per share)	24 (c)	(0.083)	(0.455)	(0.253)

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

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Interim Consolidated Condensed Statements of Comprehensive Income
Six-month periods ended June 30
In thousands of reais and U.S. dollars

		2020	2019
	Note	US\$	R\$
Loss for the period		(1,094,058)	(5,991,061)
Other comprehensive income:			
Items to be subsequently reclassified to profit or loss:			
Carrying value adjustment - Hedge	23 (b)	(742)	(4,064)
Reflection effect of monetary restatement from foreign investees	23 (b)	8,137	44,559
Foreign currency translation adjustment	23 (b)	275,598	1,509,174
Total comprehensive loss for the period		<u>(811,065)</u>	<u>(4,441,392)</u>
Attributable to:			
Company's Stockholders		(804,102)	(4,403,260)
Non-controlling interest		<u>(6,963)</u>	<u>(38,132)</u>
		<u>(811,065)</u>	<u>(4,441,392)</u>

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

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Interim Consolidated Condensed Statement of Changes in Equity (Net Capital Deficiency)
In thousands of reais, unless otherwise indicated

(continued)

	Note	Attributable to Company's Stockholders				Non-Controlling Interest	Total Equity
		Capital	Carrying Value Adjustment	Accumulated Deficit	Total		
At January 1, 2019		8,625,625	1,105,294	(6,867,545)	2,863,374	173,604	3,036,978
Total comprehensive income for the period:							
Loss for the period - R\$ (0.253) per share	24 (c)			(2,528,722)	(2,528,722)	(16,436)	(2,545,158)
Other comprehensive income	23 (b)		(15,655)		(15,655)		(15,655)
Total comprehensive loss for the period			(15,655)	(2,528,722)	(2,544,377)	(16,436)	(2,560,813)
Capital transactions with stockholders:							
Capital increase	23 (a)	1,146,006			1,146,006		1,146,006
Other movements of non-controlling						3,179	3,179
At June 30, 2019		9,771,631	1,089,639	(9,396,267)	1,465,003	160,347	1,625,350

	Note	Attributable to Company's Stockholders				Non-Controlling Interest	Total Net Capital Deficiency
		Capital	Carrying Value Adjustment	Accumulated Deficit	Total		
At January 1, 2020		9,771,631	1,768,442	(22,587,128)	(11,047,055)	(94,114)	(11,141,169)
Total comprehensive income for the period:							
Loss for the period - R\$ (0.455) per share	24 (c)			(5,952,929)	(5,952,929)	(38,132)	(5,991,061)
Other comprehensive income	23 (b)		1,549,669		1,549,669		1,549,669
Total comprehensive income (loss) for the period			1,549,669	(5,952,929)	(4,403,260)	(38,132)	(4,441,392)
Capital transactions with stockholders:							
Other movements of non-controlling						53,221	53,221
Other adjustment with investees				(255)	(255)		(255)
At June 30, 2020		9,771,631	3,318,111	(28,540,312)	(15,450,570)	(79,025)	(15,529,595)

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

Odebrecht Engenharia e Construção S.A.
and its Subsidiaries

Interim Consolidated Condensed Statement of Changes in Equity (Net Capital Deficiency)
In thousands of U.S. dollars, unless otherwise indicated

		Attributable to Company's Stockholders					
	Note	Capital	Carrying Value Adjustment	Accumulated Deficit	Total	Non-Controlling Interest	Total Net Capital Deficiency
At January 1, 2020		1,784,447	322,944	(4,124,749)	(2,017,358)	(17,187)	(2,034,545)
Total comprehensive income for the period:							
Loss for the period - US\$ (0.083) per share	24 (c)			(1,087,095)	(1,087,095)	(6,963)	(1,094,058)
Other comprehensive income	23 (b)		282,993		282,993		282,993
Total comprehensive income (loss) for the period			282,993	(1,087,095)	(804,102)	(6,963)	(811,065)
Capital transactions with stockholders:							
Other movements of non-controlling						9,719	9,719
Other adjustment with investees				(46)	(46)		(46)
At June 30, 2020		1,784,447	605,937	(5,211,890)	(2,821,506)	(14,431)	(2,835,937)

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

Odebrecht Engenharia e Construção S.A. and its Subsidiaries

Interim Consolidated Condensed Statements of Cash Flows Six-month periods ended June 30 In thousands of reais and U.S. dollars

	2020		2019
	US\$		R\$
Cash flows from operating activities			
Loss before income tax and social contribution from continued and discontinued operations	(1,099,054)	(6,018,418)	(2,410,969)
Adjustments:			
Equity in results of investees	(3,750)	(20,534)	299,871
Variation in construction contracts revenue	142,262	779,027	(701,967)
Depreciation and amortization	9,323	51,054	80,256
Amortization of right of use	2,076	11,370	5,816
Residual value of reduction in property and equipment and project expenses	16,755	91,750	55,578
Derivative financial instruments fair value accrual			(396)
Presente Value Adjustments	13,486	73,852	
Estimated losses on doubtful accounts accrual, net	59,909	328,059	8,347
Provision of guarantees	21,955	120,225	2,403,559
Provision for contingencies	6,503	35,609	24,407
Loss of discontinued operations	47,758	261,521	
Interest, monetary and foreign exchange variations, net	796,123	4,359,571	(601,593)
Cash generated by (used in) operations	13,346	73,086	(837,091)
Changes in assets and liabilities:			
Trade accounts receivable	296,369	1,622,915	91,844
Inventories	(7,005)	(38,362)	857
Taxes recoverable	(8,206)	(44,938)	(45,291)
Prepaid expenses and other assets	43,716	239,388	308,259
Suppliers and subcontractors	(21,296)	(116,619)	48,411
Advances from customers	(93,254)	(510,660)	14,760
Taxes, rates, salaries and payroll charges	(72,740)	(398,324)	(189,946)
Other liabilities	91,205	499,437	(340,910)
Net cash generated by (used in) operating activities from continued operations	242,135	1,325,923	(949,107)
Net cash generated by (used in) operating activities from discontinued operations	(490)	(2,681)	25,282
Net cash generated by (used in) operating activities	241,645	1,323,242	(923,825)
Cash flows from investing activities			
Acquisitions of investments			(126)
Acquisitions of property and equipment and intangible assets	(17,005)	(93,119)	(55,521)
Dividends received	904	4,948	9,766
Net cash used in investing activities	(16,101)	(88,171)	(45,881)
Cash flows from financing activities			
Related parties			
Repayments	(15,595)	(85,396)	(124,682)
New loans	31,492	172,451	25,642
Capital increase			7,526
Short and long-term debt, net			
New loans	635	3,478	65,554
Payments of principal	(6,001)	(32,859)	(72,737)
Payments of interest	(219)	(1,200)	(6,147)
New leases	182	995	
Payments of leases	(1,931)	(10,573)	(11,456)
Net cash generated by (used in) financing activities	8,563	46,896	(116,300)
Effect of changes in the exchange rate on cash and cash equivalents	(63,243)	(346,316)	170,592
Increase (decrease) in cash and cash equivalents from continued operations	171,354	938,332	(940,696)
Increase (decrease) in cash and cash equivalents from discontinued operations	(490)	(2,681)	25,282
Cash and cash equivalents at the beginning of the period	88,098	482,425	1,804,376
Cash and cash equivalents at the end of the period	258,962	1,418,076	888,962

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

Odebrecht Engenharia e Construção S.A. and its Subsidiaries

Notes to the Interim Consolidated Condensed
Financial Statements at June 30
In thousands of reais and U.S. dollars, unless otherwise stated

1 Operations

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

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

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

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

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

(a) Complaints about Irregularities and Global Agreement with Authorities

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

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

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

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Global Agreement with the Authorities

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

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

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

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

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

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

CNO has been negotiating with states and municipalities the signing of agreements and/or adherences to the Leniency Agreement according to which, in consideration for not adopting sanctions against it, it will undertake to cooperate with the authorities and indemnify those injured.

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

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

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

Independent Monitoring

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

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

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

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

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

The work schedule is being met despite the difficulties inherent to the COVID-19 pandemic. The Year 3 Report was already delivered by the monitors to the U.S. and Brazilian authorities in June 2020, which is within the deadline.

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Management Actions

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

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

Integrity Program

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

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

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

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

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The Integrity Program is supported by activities that support risk management, detection of flaws, correction and transparency. Digital platforms that, when globally applied, help the management and verification of the effectiveness of processes and controls. For example, the procedure of due diligence of suppliers, customers, partners and employees is compulsory for all commercial and labor relationships intended by the Company. In the first half of 2020, 4,650 analyses were made based on information from the VCoM (Vendor Compliance Management System) portal. With respect to communication and training, the activities follow annual plans approved by OEC's Board of Directors. The participation of employees in the required training programs is monitored by the Company's e-learning platform and it achieved, in 2020 June, an attendance rate of 84% of the employees defined as the target group in the Company's Annual Training Plan for 2020. Meanwhile, the Ethics Line Channel, the main tool for recording the complaints about conducts that breach the Commitment to Ethical, Honest and Transparent Work, received, in the first half of 2020, 116 reports, which were investigated in an independent manner by the Compliance Department and generated 16 remediation measures, 8 of which were improvement measures, and 3 were dismissals.

With respect to the performance and maturity of the Integrity Program, the Core Compliance Department, structured in the second half of 2018, monitors on a permanent basis compliance with and the effectiveness of the key processes of the Program, based on standardized and regular data mining tests. The respective department offers a consolidated view of the observance of the Company's integrity policies and guidelines, generating metrics that objectively measure the performances achieved. As examples, in the first half of 2020, 390 actions were started for testing and checking processes, 246 contracts with third parties were reviewed with respect to integrity requirements and 293 employee contracting processes were reviewed to check whether requirements were met for the assessment of conflicts of interest. The Core Compliance Department is also responsible for the global monitoring of compliance with the contracts entered into by the Company and the evolution of which is reported to the Integrity and Audit Committee and the Board of Directors.

Since June 2019, the actions to improve the Company's processes and systems have gained strength with the work of the Internal Control Department, seeking to promote, on a cross-cutting basis, further integration, consistency, efficiency and sustainability for the control environment. Many guidelines were updated as a result of the assessment and monitoring of the implemented controls in a continuous improvement process.

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

The Annual Integrity and Risk Management and Internal Audit plans approved for 2020 were based on a risk analysis of the places where the Company operates, the projects in progress and the internal processes, taking into consideration, among other things, the audit exams and the results of the monitoring in 2019 and new surveys on risk perception answered by the Company's senior management. The assessment of risks, updated in October and November 2019, to guide the planning cycle of 2020, indicated stability in the main mapped risks, justifying the focus on sustainability of both programs.

In May 2020, the Board of Directors approved the update of the Integrity Policy and the Code of Conduct, which are available on the Company's website on the Internet.

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These interim financial statements for the period ended June 30, 2020 were approved by the Company's Management on September 10, 2020 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2019.

(b) OFL Bonds

In October 2018, Odebrecht Finance Ltd. ("OFL") did not settle the interest installment related to the Bond 2025 and the Company, OECI and the CNO, in the capacity of guarantors of OFL Bonds, aiming at preserving their operational liquidity, did not pay them either. Also, the interest installments related to the Bonds 2020, 2022, 2023, 2029, 2042 and the Perpetual Bonds ("Bonds") that fell due between December 2018 and December 2019 have not been paid. The amount that had not been settled by June 30, 2020 was US\$ 420.199 – R\$ 2.301.010 (June 30, 2020 – US\$ 255.691 mil).

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

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

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

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

The Company completed the negotiations with the Ad Hoc Group and launched, on June 15, 2020, the Consent Solicitation in the market based on the terms and conditions of the Term Sheet and obtained in July, 31 a quorum higher than 60% of the OFL Bond holders, thus allowing consequently for the ratification in Brazil of the Extrajudicial Recovery necessary for the implementation of the Bonds' restructuring. As a result, the balance of the provision for guarantee has been adjusted based on the fair value of the OFL Bonds. On June 30, 2020, the balance of the above mentioned guarantee is US\$ 649,156 – R\$ 3,554,778.

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

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(c) Related Parties – ODB Group – Companies In Judicial Recovery

As mentioned above, on June 17, 2019, ODB and 19 other companies of its economic group, excluding the Company and its subsidiaries, formalized with the courts of São Paulo their petition for judicial recovery.

On April 22, 2020, ODB and 11 companies of its economic group had their judicial recovery plans approved by the General Creditors' Meeting. On July 27, 2020, the approval of the plans was ratified by the judge responsible for the judicial recovery process. The eight remaining companies that did not have their judicial recovery plans approved are seeking the due approvals with their respective General Creditors' Meetings.

However, due to the increasingly remote probability of receiving the credits from the related companies of the ODB Group, on December 31, 2019 the Company's management assessed the need to recognize an impairment on such credits, amounting to R\$ 8,167,720. For the period ended June 30, 2020, no changes were made to the previously mentioned impairment criteria.

(d) Discontinued Operations - Venezuela

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

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

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

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

The above mentioned losses, amounting to R\$ 1,581,672, in 2019 were recognized in the Company's profit or loss as discontinued operations.

On June 30, 2020, the Company reassessed the effects recorded on December 31, 2019 and no changes were identified although it is still assessing possible legal measures to be adopted by OEC against the Venezuelan government (in initial phase of preparation).

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(e) Constructora Norberto Odebrecht de Colombia SAS – Under Court Liquidation (“CNOC”)

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

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

Accordingly, on December 31, 2019, CNOC was no longer consolidated in the Company's balance sheet due to the loss of control over this investment, and its above mentioned net capital deficiency was recognized as “other liabilities” in the Company's non-current liabilities.

By June 30, 2020, the above mentioned balance sheet on liquidation basis had not been approved by the Superintendency of Companies of Colombia.

(f) Receivables from BIOCOM - Adjustment to Present Value

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

The balance of the credits held by the companies controlled by OEC (OOL, OSE, CNO and OAL) with Biocom represented, on June 30, 2020, the amount of US\$ 405,6 million – R\$ 2,221 billion (“Credits with Biocom”).

On December 06, 2019, Biocom's stockholders, together with local Banks (Banco Angolano de Investimentos – BAI, Banco de Fomento Angola – BFA and Banco Econômico – BE) made efforts to formulate the terms of the renegotiation of the loans contracted by Biocom, as reflected in the Indicative Fact Sheet (“FIT”), confirmed and signed. In general terms, the FIT indicates that there will be, among other things: i) the conversion of the currency of the loans from U.S. dollars to Angolan Kwanza; ii) the extension of the term for the payment of the principal amount to 42 quarters (126 months – 10.5 years); iii) the renegotiation of the interest rates and payment schedule; and new accessory obligations. Additionally, the FIT determines the subordination of all existing debts of Biocom with its stockholders and companies directly or indirectly controlled by the stockholders to the reimbursement of the debts renegotiated with the local banks. By the issue of these consolidated interim financial statements, the respective amendment that confirms the related changes connected with these loans has not been completed.

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

That said and taking into consideration the new term for receipt (10.5 years), the Credits with Biocom were adjusted to present value, representing, on June 30, 2020, the amount of US\$ 26,016 million – R\$ 142,463 million.

The changes in the adjustment to present value on Biocom's credits are presented in the related parties note, in accordance with Note 11.

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(g) Economic and Financial Effects of COVID-19 on the Financial Statements

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

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

By June 30, 2020, the Company's operations have had, in some countries, small interruptions in some projects/construction works that the Company has been monitoring. To date, no significant financial and economic impacts that are directly or indirectly related to COVID-19 have been identified. Management is still assessing the possible impacts of COVID-19 on its financial statements, such as:

- any changes in accounting judgments that had or are very likely to have a significant impact on these financial statements;
- the way COVID-19 could affect the realization of the assets in the balance sheet and the ability to record impairment on these assets;
- anticipation of any significant losses, increases in allowances for credit losses and other expenses incurred in the operations;
- if the Company or its subsidiaries will incur significant contingencies related to COVID-19; and
- the way COVID-19 could affect the fair value of financial assets and liabilities and its proper measurement.

Additionally, the Company's management has been, in general, carefully analyzing, the impact of COVID-19, as well as the extension and duration of the measures adopted by the governments in the countries in which the Company and its subsidiaries operate, including their ability to continue as a going concern. The Company has been making efforts and taking joint actions to preserve its cash flows in the short and medium terms and the main actions are presented below:

- labor and fiscal measures in accordance with the legal provisions established by the government as a result of the pandemic;
- renegotiation with the main creditors for the purpose of maintaining the production of operating construction works without affecting the short-term cash;
- detailed analysis of the contractual clauses with clients and suppliers to identify the risks and rights involved in view of the current scenario;
- contractual analysis for the budget rebalance of the construction works that are interrupted or in a reduced production scale with respect to the expected budget of the construction work.

The purpose of all actions mentioned above is the maintenance of jobs and the preservation of the Company's cash to honor its assumed commitments, in addition to guaranteeing its survival.

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(h) Going Concern

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

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

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

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

As a guarantor, the Company, in view of the early maturity of the OFL Bonds, recorded, on June 30, 2020, in its current liabilities and finance result, the amount of US\$ 649,156 – R\$ 3,554,778 (December 31, 2019 - R\$ 2.528.058) , which reflects the fair market value of the Bonds based on the terms and conditions in the Term Sheet agreed upon with the Ad Hoc Group of the OFL Bond holders.

On July 31, 2020, the Company obtained a quorum higher than 60% of the OFL Bond holders, thus allowing for the ratification in Brazil of the Extrajudicial Recovery necessary for the implementation of the Bonds' restructuring, on August 20, 2020.

Related Parties – ODB Group – Companies In Judicial Recovery: As described in Note 1 (c), on April 22, 2020, ODB and 11 companies of its economic group had their judicial recovery plans approved by the General Creditors' Meeting and ratified by the judge responsible for the judicial recovery process on July 27, 2020. The eight remaining companies that did not have their judicial recovery plans approved are seeking the due approvals with their respective General Creditors' Meetings. However, due to the increasingly remote probability of receiving the credits from the related companies of the ODB Group, the Company's management assessed, on December 31, 2019, the need to recognize a provision for impairment on such credits in the amount of R\$ 8,167,720.

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

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

Accordingly, the commitments assumed by the Company and its subsidiaries with respect to the cooperation agreements and indemnities, which required investments to implement the Compliance System and strengthen the corporate governance, together with the low volumes of renewal of the contracts in the portfolio, which impaired the Company's ability to generate cash and cash equivalents, and the provisions for (i) the guarantee of the OFL Bonds (ii) the credits receivable from the ODB Group companies that are in judicial recovery and (iii) the discontinued operation in Venezuela and (iv) the adjustment to present value of the credits held by the companies controlled by OEC with Biocom, among others, resulted in an excess of consolidated current liabilities over consolidated current assets of R\$ 5,406,617 – US\$ 987,330 and in a consolidated net capital deficiency of R\$ 15,529,595– US\$ 2,835,937.

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

- **Financial health:** i) completion of the negotiation for restructuring the guarantee for the OFL Bonds by the Company in accordance with the terms agreed upon in the Term Sheet mentioned in Note 1 (b) so as to adjust the Company's capital structure and payment flows to its cash generation capacity and ii) renegotiation of trade accounts payable and working capital debts.
- **Solution and mitigation of litigations and liabilities:** i) negotiation of agreements through payments in installments and ii) negotiation of agreements in the countries where OEC operates for payments in accordance with the local financial capacity of each country.
- **Organizational restructuring and reduction of costs:** i) restructuring of the administrative staff, with shared structures, ensuring synergies, agility and lower costs and ii) implementation of new compensation policies aimed at reducing administrative expenditures.
- **Backlog replacement:** i) geographical, selective and strategic focus on five countries (Brazil, Peru, Panama, Dominican Republic and Angola), ii) obtainment of new projects in the amount of US\$ 6.6 billion, with greater intensification with private customers, iii) search for strategic partnerships with technology and capital providers, jointly participating in the development of projects, iv) search for alternative sources of financial resources and v) implementation of contractual solutions that make possible the optimization of the use of the performance guarantee capacity that is made available by the market.

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

2 Summary of Significant Accounting Policies

The main accounting policies applied in the preparation of these interim financial statements as of June 30, 2020 are the same as those applied in the preparation of the financial statements for the year ended December 31, 2019.

For the purpose of comparing the statements of income (operations) in these consolidated interim financial statements, the results determined in the period ended June 30, 2019 with respect to the discontinued operations of the Company's branches and subsidiaries in Venezuela were restated.

2.1 Basis of Preparation

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

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the management of the Company and its subsidiaries to exercise its judgment in the process of applying the accounting policies of the Group. These estimates used in the preparation of these consolidated interim financial statements are the same as those applied in the consolidated financial statements for the year ended December 31, 2019.

2.2 Consolidated Companies

The interim consolidated condensed financial statements include those of the Company and its subsidiaries in which the following direct and indirect control is held as of June 30, 2020 and December 31, 2019:

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	Country	Direct Holding (%)	
		June 30, 2020	December 31, 2019
CNO	Brazil	97.01	97.01
OECI	Brazil	100.00	100.00
OENGER	Brazil	100.00	100.00
Tenenge Montagem e Manutenção Ltda.	(b) Brazil	88.93	88.93
OEC S.A.	Brazil	100.00	100.00
OEC Finance Limited	Cayman Islands	100.00	100.00
Odebrecht Holdco Finance Limited	Cayman Islands	100.00	100.00

	Country	Indirect Holding (%)	
		June 30, 2020	December 31, 2019
Belgravia Serviços e Participações S.A. ("Belgravia")	Brazil	100.00	100.00
Constructora Odebrecht Chile S.A.	Chile	100.00	100.00
Construtora Norberto Odebrecht - Sucursal Angola	Angola	100.00	100.00
CNO S.A. - Argentina	Argentina	100.00	100.00
CNO S.A. - Bolívia	Bolívia	100.00	100.00
CNO. S.A. Sucursal Colombia ("CNO Colômbia")	(a) Colombia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Construtora Norberto Odebrecht S.A. - Emirados Árabes	Arab Emirates	100.00	100.00
CNO S.A. - Equador	Ecuador	100.00	100.00
Construtora Norberto Odebrecht S.A. - Gana	Ghana	100.00	100.00
CNO S.A. - Guatemala	Guatemala	100.00	100.00
CNO S.A. - México	Mexico	100.00	100.00
Construtora Norberto Odebrecht S.A. - Moçambique	Mozambique	100.00	100.00
CNO S.A. - Panamá	Panama	100.00	100.00
Construtora Norberto Odebrecht S.A. - Paraguai	Paraguay	100.00	100.00
CNO S.A. - Peru ("CNO Suc. Peru")	Peru	100.00	100.00
Construtora Norberto Odebrecht S.A. - República Dominicana	Dominican Republic	100.00	100.00
Construtora Norberto Odebrecht S.A. - Uruguai	Uruguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Libyan Brazilian Construction and Development Company	Libya	60.00	60.00
Tenenge Montagem e Manutenção Ltda	(b) Brazil	11.07	11.07
Odebrecht de Argentina S.A.	Argentina	100.00	100.00
Odebrecht Industrial, Inc.	USA	100.00	100.00
Bento Pedroso Construções, S.A.	Portugal	100.00	100.00

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	Country	Indirect Holding (%)	
		June 30, 2020	December 31, 2019
CBPO	Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina	Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile	Chile	100.00	100.00
CBPO Engenharia Ltda. - Colômbia	Colombia	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Engenharia Ltda. - Panamá	Panama	100.00	100.00
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Limited.	Cayman Islands	100.00	100.00
Centaurus Investments Limited	Cayman Islands	100.00	100.00
Companhia de Obras e Infra Estrutura	Brazil	100.00	100.00
COI Cuba	Cuba	100.00	100.00
Constructora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Constructora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
COI Overseas, Ltd.	British Virgin Islands	100.00	100.00
Constructora Norberto Odebrecht de Panamá S.A.	Panama	100.00	100.00
Multitrade S.A.	Brazil	100.00	100.00
Odebrecht Services GMBH	Austria	100.00	100.00
CBPO Overseas Sucursal República Dominicana	Dominican Republic	100.00	100.00
Odebrecht Industrial Engineering America	USA	100.00	100.00
Odebrecht Angola Projectos e Serviços Ltda.	Angola	100.00	100.00
Odebrecht Angola - Construção e Projectos de Energia, Limitada	Angola	100.00	100.00
Odebrecht Solution Inc.	Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.	Malta	100.00	100.00
Odebrecht Construction, Inc.	USA	100.00	100.00
Odebrecht Engineering & Construction Ltd.	Malta	100.00	100.00
Odebrecht Solution Malta	Malta	100.00	100.00
Odebrecht Ingeniería y Construcción de España, S.L.	Spain	100.00	100.00
Odebrecht Ingeniería y Construcción Internacional de México, S de RL de CV.	Mexico	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias, Unipessoal, Ltda.	Portugal	100.00	100.00
Odb, Investimentos em Concessões Rodoviárias, Unipessoal, Ltda.	Portugal	100.00	100.00
Odebrecht Services Limited	United Kingdom	100.00	100.00
Odebrecht Overseas Limited ("OOL")	Bahamas	100.00	100.00
Odebrecht Peru Ingeniería y Construcción S.A.C. ("OPIC")	Peru	100.00	100.00
Odebrecht Industrial Engineering B.V.	Holanda	100.00	100.00
OEC Serviços de Exportação S.A.	Brazil	100.00	100.00
OSEL - Odebrecht Serviços no Exterior Ltd.	Cayman Islands	100.00	100.00
Tenenge (UK) Ltd.	United Kingdom	100.00	100.00
Tenenge Overseas Corporation	Cayman Islands	100.00	100.00
Concesionaria Madden Colon	Panama	100.00	100.00
Constructora Norberto Odebrecht de Guatemala S.A.	Guatemala	100.00	100.00
Odebrecht Global Sourcing South Africa	South Africa	100.00	100.00
HG Market Group Corp	Barbados	100.00	100.00
OEC Peru Infraestructura S.A.C.	Peru	100.00	100.00
OIS - Odebrecht International Services, Ltd.	Cayman Islands	100.00	100.00
OEC S.A.	Brazil	100.00	100.00
Odebrecht Servicios Integrales de México, S de RL de CV.	Mexico	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - Bolívia	Bolívia	100.00	100.00
OECI Ghana Limited	Ghana	100.00	100.00
CBPO Colombia SAS	Colombia	100.00	100.00
Odebrecht Services S.à.r.l	Luxembourg	100.00	100.00
OECI S.A. - Sucursal Colombia	Colombia	100.00	100.00
OECI S.A. - Republica Dominicana	Dominican Republic	100.00	100.00
OECI S.A. - Argentina	Argentina	100.00	100.00
Odebrecht Engenharia e Construção Internacional S.A. - Moçambique	Mozambique	100.00	100.00
CBPO Ingeniería y Construcción de México S.A. de C.V.	Mexico	100.00	100.00
OEC Guyana Inc.	Guyana	100.00	100.00
CSC OEC - Panamá, S.A.	Panama	100.00	100.00
OECI Angola	(c) Angola	100.00	
OECI Republica Dominicana	(c) Dominican Republic	100.00	

- (a) Corporate name changed on February 19, 2020 to CNO. S.A. Sucursal Colombia. Previously named Constructora Norberto Odebrecht S.A. – Colômbia.
- (b) Corporate name changed on July 06, 2020 to Tenenge Engenharia Ltda. Previously named Tenenge Montagem e Manutenção Ltda.
- (c) Company incorporated in 2020.

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2.3 Financial Reporting in Hyperinflationary Economies

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

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

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

2.4 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

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

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

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

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Country	Currency	June 30, 2020	December 31, 2019
Angola	American Dollar	5.4760	4.0307
Argentina	Argentinian Peso	0.0778	0.0673
Colombia	Colombian Peso	0.0015	0.0012
Cuba	Cuban Peso	5.4760	4.0307
USA	American Dollar	5.4760	4.0307
Mexico	Mexican Peso	0.2374	0.2134
Panama	Balboa	5.4760	4.0307
Peru	New Sol	1.5469	1.2160
Portugal	Euro	6.1539	4.5305
Dominican Republic	Dominican Pesos	0.0941	0.0763
Venezuela	Sovereign Bolivars	0.0000	0.0001

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

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

(c) Translation of Balances of Consolidated Companies

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

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

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

2.5 Basis of Translation

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

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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.

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

(a) Foreign Exchange Risk

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

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

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

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

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

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

(b) Interest Rate Risk

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

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

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

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

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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 the loans necessary for performing the contract or government licenses or approvals, changes in the project that result in unexpected costs, delays caused by adverse climate conditions or errors in performance by subcontractors and/or suppliers.

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

(d) Credit Risk

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

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

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

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

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

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

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

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

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

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

(e) Liquidity Risk

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

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

3.2 Capital Management

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

			June 30, 2020	December 31, 2019
	Note	US\$		R\$
Total debts	17	767,096	4,200,618	3,029,318
Less: cash and cash equivalents	5	(258,962)	(1,418,076)	(482,425)
Net debt (i)		508,134	2,782,542	2,546,893
Total equity (net capital deficiency)		(2,835,937)	(15,529,595)	(11,141,169)
Total capital		(2,327,803)	(12,747,053)	(8,594,276)
Index of financial gearing - %		N/A	N/A	N/A

N/A - Not Applicable

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

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4 Financial Instruments by Category

	Assets measured at fair value through profit or loss	Amortized cost	Total R\$	Total US\$
June 30, 2020				
Assets, according to the balance sheet				
Cash and banks		1,192,984	1,192,984	217,857
Financial instruments	75,892		75,892	13,859
Short-term deposits	225,092		225,092	41,105
Current accounts with consortium members		423,833	423,833	77,398
Trade accounts receivable and other assets		7,238,810	7,238,810	1,321,917
Odebrecht Group companies		3,383,020	3,383,020	617,790
	<u>300,984</u>	<u>12,238,647</u>	<u>12,539,631</u>	<u>2,289,926</u>
		Amortized cost	Total R\$	Total US\$
June 30, 2020				
Liabilities, according to the balance sheet				
Debts		4,200,618	4,200,618	767,096
Leases		157,087	157,087	28,686
Suppliers, subcontractors and other liabilities		6,195,811	6,195,811	1,131,448
Current accounts with consortium members		494,629	494,629	90,327
Odebrecht Group companies		4,525,040	4,525,040	826,340
		<u>15,573,185</u>	<u>15,573,185</u>	<u>2,843,897</u>
	Assets measured at fair value through profit or loss	Amortized cost	Total R\$	
December 31, 2019				
Assets, according to the balance sheet				
Cash and banks			400,869	400,869
Financial instruments		70,700		70,700
Short-term deposits		81,556		81,556
Current accounts with consortium members			379,226	379,226
Trade accounts receivable and other assets			7,513,121	7,513,121
Odebrecht Group companies			2,714,397	2,714,397
	<u>152,256</u>	<u>11,007,613</u>	<u>11,159,869</u>	
		Amortized cost	Total R\$	
December 31, 2019				
Liabilities, according to the balance sheet				
Debts			3,029,318	3,029,318
Leases			151,996	151,996
Suppliers, subcontractors and other liabilities			5,120,791	5,120,791
Current accounts with consortium members			371,529	371,529
Odebrecht Group companies			3,636,945	3,636,945
		<u>12,310,579</u>	<u>12,310,579</u>	

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5 Cash and Cash Equivalents

		June 30, 2020	December 31, 2019
	US\$		R\$
High Liquidity	168,837	924,549	129,567
Cash - countries (*)	69,618	381,230	140,690
Consortia	20,507	112,297	212,168
	258,962	1,418,076	482,425

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

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

6 Financial Instruments

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

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

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

The CIDs of the first operation were negotiated for the amount of R\$ 82,000, plus a premium of R\$ 7,425 provided for in the Assignment Agreement. As a result of this receipt that took place in 2019, the Company recognized in the finance result for 2019 a loss of R\$ 57,759.

On June 30, 2020, the remaining balance is measured at fair value through profit or loss in the amount of R\$ 75,892 – US\$ 13,859 (December 31, 2019 – R\$ 70,700) and was classified as a short-term financial instrument.

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On July 31, 2020, the Nagoia Fund, by means of a notice, under the terms of Clause 3.2 of the Assignment Agreement, exercised its option for the acquisition of the 3,692 Call Option CIDs and, on August 24, 2020, it made a payment in the amount of R\$ 79,606 – US\$ 14,537. As a result of this receipt, the amount of R\$ 3,728 – US\$ 681 was recorded in finance income due to the monetary adjustment provided for in the Assignment Agreement.

7 Trade Accounts Receivable and Advances from Customers

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

	June 30, 2020				December 31, 2019			
	Accounts receivable and billing rights		Advanced from customers and liability contract (*)		Accounts receivable and billing rights		Advanced from customers and liability contract (*)	
	R\$	US\$	R\$	US\$				
Main countries	Current	Non-current	Total	Total	Current	Non-current	Total	Total
Angola	785,492	269,460	1,054,952	192,650	48,996	3,815,651	3,864,647	705,743
Brazil	257,172	944,176	1,201,348	219,384	283,757	390,609	674,366	123,149
Panama	858,370		858,370	156,751	165,318	8,829	174,147	31,802
Peru	1,434,424	35,771	1,470,195	268,480	9,575		9,575	1,749
Dominican Republic	431,204		431,204	78,744	282,983		282,983	51,677
Others	541,592	1,400,408	1,942,000	354,639	386,581	4,359,661	4,746,242	866,734
(-) Allowance for expected losses from doubtful accounts (I)	(1,158,202)	(185,507)	(1,343,709)	(245,381)				(1,081,288)
	<u>3,150,052</u>	<u>2,464,308</u>	<u>5,614,360</u>	<u>1,025,267</u>	<u>1,177,210</u>	<u>8,574,750</u>	<u>9,751,960</u>	<u>1,780,854</u>
								<u>5,999,305</u>
								<u>7,671,644</u>

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

(i) Allowance for Expected Losses from Doubtful Accounts

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

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

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

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

8 Taxes Recoverable

	June 30, 2020				December 31, 2019		
	R\$			US\$	R\$		
	Brazil	Abroad	Total	Total	Brazil	Abroad	Total
Offset - assets							
Prepayment of income tax	27,703	304,588	332,291	60,681	25,399	288,554	313,953
Indirect taxes	30,907	210,075	240,982	44,007	22,458	132,287	154,745
Taxes withheld at source	8,347	3,582	11,929	2,178	6,139	2,555	8,694
Other	58,780	23,095	81,875	14,952	52,949	10,547	63,496
	<u>125,737</u>	<u>541,340</u>	<u>667,077</u>	<u>121,818</u>	<u>106,945</u>	<u>433,943</u>	<u>540,888</u>
Current assets			608,216	111,069			490,258
Non-current assets			58,861	10,749			50,630

9 Inventories

	June 30, 2020		December 31, 2019
	US\$		R\$
Raw materials	17,318	94,832	71,258
Materials to be used in construction (i)	35,046	191,911	72,976
Marketable properties (ii)	37,373	204,656	151,150
Imports and exports in progress	2,545	13,934	79,792
In transit inventories	5,620	30,774	21,049
Advances to suppliers	7,678	42,051	61,268
	<u>105,580</u>	<u>578,158</u>	<u>457,493</u>

(i) This refers mainly to materials to be used in Consórcio UTE Santa Cruz.

(ii) These mainly refer to inventories of real estate properties for sale in Angola.

10 Other Assets – Current and Non-Current

On June 30, 2020, the balances of other current assets are of different natures and dispersed, and the main ones are: i) debit notes and invoices issued against companies of the Odebrecht Group amounting to R\$ 105,120 – US\$ 19,196 (December 31, 2019 – R\$ 96,142), as mentioned in Note 11 (b); and ii) transaction costs related to the OFL Bonds amounting to R\$ 75,658 – US\$ 13,816 (December 31, 2019 – R\$ 47,252).

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On June 30, 2020, the balances of other non-current assets are of different natures and dispersed, and they consist mainly of: i) judicial deposits/freezing amounting to R\$ 37,638 – US\$ 6,873 (December 31, 2019 – R\$ 46,749); ii) advances to suppliers amounting to R\$ 37,786 – US\$ 6,900 (December 31, 2019 – R\$ 25,982); iii) prepaid expenses amounting to R\$ 16,189 – US\$ 2,956 (December 31, 2019 – R\$ 18,652); iv) long-term investments amounting to R\$ 99,702 – US\$ 18,207 (December 31, 2019 – R\$ 73,387) and v) agreement entered into in 2019 with the consortium companies of the Rnest project amounting to R\$ 60,727 – US\$ 11,090 (December 31, 2019 – R\$ 69.027 – in current assets).

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11 Related Parties

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

	December 31, 2019	Additions	Disposals	Interests	Exchange Variation	Provision for losses	Adjustment to present value	June 30, 2020
Current asset								
Current accounts with consortium members								
OSP	88,152	93						88,245
Total - Companies under judicial recovery (i)	88,152	93						88,245
Non-current asset								
Odebrecht Group Companies								
ODB	82,616	15,630		405	26,733	(41,009)		84,375
ODBIC	437,141			7,586	157,061	(6,967)		594,821
OFL	1,988,146				684,498	(258,087)		2,414,557
Total - Companies under judicial recovery (i)	2,507,903	15,630		7,991	868,292	(306,063)		3,093,753
Other OPI consolidated companies (ii)	91,207	386	(2,673)	3,229	29,255			121,404
Aqueduct	1,358	97			379			1,834
Biocom – Cia de Bioenergia de Angola Ltd. - "Biocom" (c)	95,563			21,301	33,290		(7,691)	142,463
Consorcio Constructor Ductos Del Sur	11,403	784	(4,450)	297	6,413			14,447
Consorcio Constructor Chavimochic		10,848	(7,059)		(3,550)			239
Others	6,963	12		11	1,894			8,880
Total - Other Group companies	206,494	12,127	(14,182)	24,838	67,681		(7,691)	289,267
Total Assets - related parties (in R\$)	2,714,397	27,757	(14,182)	32,829	935,973	(306,063)	(7,691)	3,383,020
Total Assets - related parties (in US\$)		5,069	(2,590)	5,995	170,923	(55,892)	(1,404)	617,790

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	December 31, 2019	Additions	Disposals	Interests	Exchange Variation	June 30, 2020
Non-current liabilities						
Odebrecht Group Companies						
ODB	(163,189)		2,110			(161,079)
ODBIC	(437,141)			(827)	(156,853)	(594,821)
OFL	(1,201,152)				(430,701)	(1,631,853)
OSP	(875,146)	(371)	4,568			(870,949)
Total - Companies under judicial recovery (i)	(2,676,628)	(371)	6,678	(827)	(587,554)	(3,258,702)
Other OPI consolidated companies (ii)	(350,235)	(14,143)	24,659	(7,574)	(99,901)	(447,194)
Aqueduct	(527,321)				(189,083)	(716,404)
CNOC (Colômbia)	(157)	(46)	225		(31)	(9)
Consorcio Constructor Ductos Del Sur	(29,690)	(22,008)	9,450	(414)	(7,910)	(50,572)
Consorcio Constructor Chavimochic	(5,614)		5,614			
Horiens Corretora de Seguros Ltda.	(29,390)		806			(28,584)
OCS-International Ltd	(9,611)				(3,446)	(13,057)
OR	(6,497)					(6,497)
Others	(1,802)	(13,284)	11,984	(9)	(910)	(4,021)
Total - Other Group companies	(960,317)	(49,481)	52,738	(7,997)	(301,281)	(1,266,338)
Total Liabilities - related parties (in R\$)	(3,636,945)	(49,852)	59,416	(8,824)	(888,835)	(4,525,040)
Total Liabilities - related parties (in US\$)		(9,104)	10,850	(1,611)	(162,315)	(826,340)

(i) The balance of net liabilities of OEC and subsidiaries of ODB Group companies that are in judicial recovery amount to (R\$ 76,704) – (US\$ 14,007) (December 31, 2019 – 80,573).

(ii) This refers to balances with OPI's consolidated companies that are not in judicial recovery: Concessionária Trasvase Olmos S.A., Odebrecht Latinvest Peru SAC, Odebrecht Energia Del Peru, Technik Invest SAC, Inversiones en Infraestructura Transportes por Ductos SAC, Odebrecht Latinvest Peru Ductos S.A., Concessionaria IIRSA Norte S.A., Concesionaria Interoceanica Sur Tramo 2 S.A., Concesionaria Interoceanica Sur Tramo 3 S.A. and Bairro Novo Empreendimentos S.A.

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(b) Other Transactions with Related Parties:

	December 31, 2019	Additions	Disposals	Interests	Provision for losses/AVP	Exchange Variation	June 30, 2020
Current asset							
Accounts receivable							
ODB	909					326	1,235
Total - Companies under judicial recovery	909					326	1,235
Other OPI consolidated companies	65,829	1,110	(559)			9,080	75,460
Consorcio Construtor Chavimochic - Peru	289					104	393
Gasoduto Sur Peruano	871,973					314,108	1,186,081
Biocom (c)	1,107	1,576	(85)		(5)	795	3,388
Odebrecht Ambiental Participações	9,322					1,046	10,368
Braskem	8,140	8,120	(7,721)				8,539
OTP - Investees	34,811						34,811
Odebrecht Properties - Subsidiaries (i)	89,947						89,947
Odebrecht Energia - Subsidiaries (ii)	37,965						37,965
Odebrecht Realizações	23,883	47					23,930
Other - Assets	50,374	202	(590)			559	50,545
Total - Other Group companies	1,193,640	11,055	(8,955)		(5)	325,692	1,521,427
Other Assets							
ODB	5						5
OPI	5,582	423	(4,679)				1,326
OSP	367	3,002	(218)				3,151
Odebrecht Properties	1,063	626	(878)				811
Edifício Odebrecht RJ S.A.	88	198					286
Odebrecht Energia	11,237	3,365	(102)				14,500
Atvos		510	(190)				320
Total - Companies under judicial recovery	18,342	8,124	(6,067)				20,399
Other OPI consolidated companies	1,312	202	(178)				1,336
Biocom (c)	836	5,014			(9,538)	5,419	1,731
Odebrecht Ambiental Participações	12,195	544	(1,023)			507	12,223
Braskem	1,004	2,271	(1,281)				1,994
OTP - Investees	26,668	2,535	(3,344)	3,636		201	29,696
Odebrecht Realizações	27,877	2,697	(4,887)				25,687
Ocyan	3,943	1,355	(446)				4,852
Odebrecht Defesa e Tecnologia	1,982	3,062	(171)				4,873
CNOC (Colômbia)		829			(14,381)	13,552	
AOT Pipelines S.A.P.I. DEC.V.	1,554					553	2,107
Other - Assets	429	1,026	(1,233)				222
Total - Other Group companies	77,800	19,535	(12,563)	3,636	(23,919)	20,232	84,721
Total Current Assets - other related parties (in R\$)	1,290,691	38,714	(27,585)	3,636	(23,924)	346,250	1,627,782
Total Current Assets - other related parties (in US\$)	235,700	7,070	(5,037)	664	(4,369)	63,230	297,257

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	December 31, 2019	Additions	Disposals	Interests	Provision for losses/AVP	Exchange Variation	June 30, 2020
Non-current assets							
Accounts receivable							
Blocom (c)	7,413	10,415	(7,871)		(35,671)	36,872	11,158
	7,413	10,415	(7,871)		(35,671)	36,872	11,158
Other assets							
ODB		2,200					2,200
Total - Companies under judicial recovery		2,200					2,200
Blocom (c)	13,274	25,625	(20,665)		(13,186)	10,586	15,634
OTP - Investees	8,313			520			8,833
Sociedade de Desenvolvimento Mineiro ("SDM")	126,365					35,134	161,499
Other - Assets	5						5
Total - Other Group companies	147,957	25,625	(20,665)	520	(13,186)	45,720	185,971
Total Non-current Assets - other related parties (in R\$)	155,370	38,240	(28,536)	520	(48,857)	82,592	199,329
Total Non-current Assets - other related parties (in US\$)	28,373	6,983	(5,211)	95	(8,922)	15,083	36,400

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	December 31, 2019	Additions	Disposals	Exchange Variation	June 30, 2020
Current liabilities					
Suppliers					
ODB	10,047	101		1,570	11,718
OSP	29,508		(850)		28,658
Odebrecht Properties	148	4	(110)		42
Edifício Odebrecht RJ S.A.	24,120	6,602			30,722
Atvos	352	440	(11)		781
Total - Companies under judicial recovery	64,175	7,147	(971)	1,570	71,921
Braskem México	1,235			440	1,675
Other OPI consolidated companies	874		(184)	261	951
AOT Pipelines S.A.P.I. DE C.V.	16,709			5,949	22,658
Other - liabilities	964	762	(353)		1,373
Total - Other Group companies	19,782	762	(537)	6,650	26,657
Other Liabilities					
ODB	242				242
Total - Companies under judicial recovery	242				242
OR	5,230		(21)		5,209
Other - liabilities	119				119
Total - Other Group companies	5,349		(21)		5,328
Total Liabilities - other related parties (in R\$)	89,548	7,909	(1,529)	8,220	104,148
Total Liabilities - other related parties (in US\$)	16,353	1,444	(279)	1,501	19,019

- (i) This refers mainly to Arena Pernambuco.
(ii) This refers mainly to Santo Antônio Energia.

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

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

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

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

In this scenario, on June 30, 2020, the Company recorded impairment on its current and non-current assets as a contra-entry to finance result, in the amount of R\$ 1,516,182 – US\$ 276,878, as adjustment to present value, which reflects the expected fair value for the realization of these outstanding balances on that same date.

In the first half of 2020, the adjustment to present value, amounting to R\$ 66,091 – US\$ 12,069, was recorded as a contra-entry to the finance result as an expense.

(d) Compensation of key Management Personnel

	June 30, 2020			December 31, 2019		
	Statutory Executive Board	Board of Directors	Total	Statutory Executive Board	Board of Directors	Total
Compensation (a)	2,435	2,500	4,935	5,895	6,349	12,244
Short-term compensation (b)	55	11	66	123	38	161
Benefits – Pension plan	87		87	157	34	191
In R\$	2,577	2,511	5,088	6,175	6,421	12,596
In US\$	471	459	929			

(a) This is composed of the fixed compensation and variable compensation (bonus and profit sharing), in addition to the respective payroll charges.

(b) This represents the benefits with medical and dental care, meal vouchers and life insurance.

Key management personnel include the members of the Board of Directors and statutory officers of OEC and its subsidiaries CNO and OECI (“Management Members”).

At the Company’s Annual General Stockholders’ Meeting held on May 12, 2020, the total amount related to management compensation, of R\$ 26,092 – US\$ 4,765, was approved for the calendar year 2020 and it includes Short-Term Incentives and Long-Term Incentives of R\$ 7,523 – US\$ 1,374 and R\$ 2,705 – US\$ 379, respectively.

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

(a) Recognition of Deferred Income Tax and Social Contribution

The breakdown of the deferred income tax and social contribution accounts at June 30, 2020 and December 31, 2019 is as follows:

Nature of the credits	Non-current assets			Non-current liabilities		
	June 30, 2020		December 31, 2019	June 30, 2020		December 31, 2019
	US\$		R\$	US\$		R\$
Income tax losses	46,444	254,329	494,570	(14,329)	(78,466)	14,096
Social contribution loss carryforwards	1,474	8,072	6,960			
	47,918	262,401	501,530	(14,329)	(78,466)	14,096
Temporary differences						
Provisions	113,670	622,459	491,945	(833)	(4,563)	3,530
Foreign exchange variation	41,817	228,992	(243,263)	107,899	590,853	167,708
Adjustment to present value	2,818	15,433	(11)			
Government agencies				14,230	77,923	73,849
Other	9,285	50,836	75,316	18,246	99,920	55,585
	215,508	1,180,121	825,517	125,213	685,667	314,768

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

On June 30, 2020, the Company and its subsidiaries have deferred income tax and social contribution assets mainly related to temporary differences based on the realization of such differences supported by the forecast of future results.

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

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

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

The amount will be settled by means of the payment of 24% of the debt in 24 installments and the remaining amount (76%) will be paid with the use of credits from income tax and social contribution tax loss carryforwards, in the amount of R\$ 85,414 – US\$ 15,598, and credits acquired from Odebrecht Group companies, in the amount of R\$ 1,661,653 – US\$ 303,443.

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In 2018, OEC consolidated the installments and, by June 30, 2020, installments amounting to R\$ 544,806 – US\$ 99,490 had been settled. Of the remaining balance of R\$ 8,098 – US\$ 1,479 recorded in liabilities, R\$ 6,545 – US\$ 1,195 refers to the principal amount adjusted by the Accumulated Basic Selic rate at R\$ 1,553 – US\$ 284.

(d) Ordinary Financing

In April and August 2019, the Company joined the Ordinary Financing to settle income tax and social contribution debts from previous years amounting to R\$ 65,801 in 60 installments and, by June 30, 2020, the amount of R\$ 12,158 – US\$ 2,220 had been settled. The remaining balance of R\$ 56,572 – US\$ 10,331, recorded in liabilities, R\$ 53,643 – US\$ 9,796 refers to the principal amount and R\$ 2,929 – US\$ 535 refers to the adjustment based on the Accumulated Basic Selic rate.

13 Non-Current Assets Held for Sale and Discontinued Operations

(a) Balance Sheet

		June 30, 2020	December 31, 2019
	US\$		R\$
Concessionária Ruta Del Sol S.A.S ("Rutas del Sol") (i)			175,266
Rutas de Lima SAC ("Rutas de Lima") (ii)			261,007
Concessionária Chavimochic S.A.C ("Chavimochic") (iii)	3,670	20,095	16,207
Consórcio Expresso Linha 6 ("CEL6") (iv)	10,845	59,389	
	14,515	79,484	452,480

(i) Ruta Del Sol - On February 22, 2017, the National Infrastructure Agency of Colombia ("ANI") and Concessionária Ruta del Sol entered into an agreement for the rescission and settlement of the Concession Agreement No. 01, of January 14, 2010, as amended on March 27, 2017, and agreed upon a calculation formula, which is subject to the approval of the proper legal authority, for the settlement of the agreement. This agreement also provides for the rights and obligations in the transition period and the period for the return of the assets. This Agreement was not performed by ANI and, accordingly, this negotiation was taken to a Local Arbitration Court (Bogota Chamber of Commerce, for the sole purpose of having the Nullity of the Concession Agreement declared, even though it had already been terminated.

On September 14, 2017, the Administrative Court of Cundinamarca established the additional administrative measures required by the Agreement and, on October 20, 2017, ANI and the Concessionaire signed the Contract for the Return and Delivery of the Infrastructure, formalizing the return of the returnable assets, except for 26 safeguards that state that the return has not yet taken place and only the delivery of the infrastructure has. With respect to the returned assets, the Concessionaire has not yet received the payment for the investments made in the projects, which is an act of expropriation.

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On August 16, 2019, the Local Arbitration Court ratified the Arbitration Report in which the Nullity of the Concession Agreement is determined, despite its forfeiture, and, as a consequence, the Court determined the economic effects that arose from the declaration of nullity, for which a biased interpretation of Article 20 of Law No. 1,882 of 2018 was made, adjusting the calculations made by its Expert (Duff & Phelps) and discounting the claims that were not included in the appraisal and the profit that was not distributed by the Concessionaire. In accordance with the Report, the Court-Appointed Expert recognized the investment made and it was validated by the Party-Appointed Expert in the same arbitration proceeding. Notwithstanding, the Court, without any technical support or, at least, with no grounds validated by Experts with knowledge to do so, made adjustments to the investment amount, and this amount is insufficient to pay for the financial obligations and, much less, its stockholders. The amount of the adjustments discounted by the Court must be claimed at international venues, specifically the International Chamber of Commerce ("ICC"), in accordance with the clause for the settlement of disputes in the Contract, which, despite its termination, still prevails.

In addition to the international claim above, the Concessionaire, its stockholders and the banks that financed the project, decided to request the annulment of the court's report. To this end, they prepared, on an independent basis, extraordinary appeals of annulment that were filed on September 30, 2019 and relief actions that were filed on January 15, 2020, and the latter were denied.

On December 31, 2019, the Company recognized an impairment loss on the above mentioned investment in the amount of R\$ 63,947, based on the appraisal report of the settlement amount presented by Duff & Phelps during the local arbitration proceeding, taking into consideration the following criteria: i) the decision of the local arbitration to make unfavorable adjustments to the investment amount with no technical support or, at least, with no support validated by experts with knowledge to do so; ii) financing banks, stockholders and the Concessionaire filed extraordinary appeals to annul the decision of the local arbitration; iii) filing of relief appeals, which, on the date the impairment was evaluated, had not yet been judged; iv) filing of the international claim with the ICC for the purpose of discussing the arbitration at an impartial court; and v) recognition by the Court-Appointed Expert (Duff & Phelps) of the investment made, which was validated by the Party-Appointed Expert.

Additionally, by June 30, 2020, events that occurred locally, with respect to the Concessionaire, led management to reassess the likelihood of recovery of this investment. This assessment was based on the opening of the judicial liquidation process of the Concessionaire by means of the Court Record established by the number 2020-01-009673, ordered by the Superintendency of Companies ("SS") of Colombia. With respect to the possibilities of recovery of the capital invested in the Concessionaire, the Company's management consulted with an expert in corporate matters who pointed out that stockholders "will only be entitled to the amount that remains after the Concessionaire pays all the liabilities to third parties, including those that were postponed, such as fines, interest and extemporaneous credits, in accordance with the provision in Article 59 of Law No. 1,116 of 2006."

On June 30, 2020, the Company recognized the additional impairment loss on the above mentioned investment in the amount of R\$ 261,041 – US\$ 47,670 on a conservative basis although it knew that, in the future, it may recover a portion of the capital invested as a result of the international arbitration.

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(ii) Rutas de Lima – On June 28, 2016, Odebrecht Latinvest Peru S.A.C. (“OLI SAC”) disposed of 57% of the capital of Rutas de Lima to BIF III Peru Transportation I S.A.C. (“BIF”). In the same transaction, BIF obtained a call option for 25% of the shares of Rutas de Lima held by CNO, a direct subsidiary of the Company. BIF had four years to exercise its call option, which matured on June 28, 2020. By June 30, 2020, BIF had not exercised its call option, which led management to reassess this negotiation. Since OLI SAC had filed an arbitration proceeding against BIF in order to recover part of the amounts agreed upon the sale, the Company’s management will not proceed with the intention to sell its interest.

On June 30, 2020, due to the fact that, currently, there is no longer an intention to sell this investment by the Company, this investment was reclassified to the investment account in permanent assets in the amount of R\$ 261,007 – US\$ 47,664, as presented in Note 14 (b).

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

(iv) Consórcio Expresso Linha 6 (“CEL6”) – The Company has the intention to sell its fixed assets related to Consórcio Expresso Linha 6, as described in the minutes of the Extraordinary General Stockholders’ Meeting held on June 1, 2020, which approves the signing of the Agreement for the Purchase and Sale of Assets and Other Covenants with Acciona Construcción S.A.

Management assessed the terms of the negotiation for the sale of these assets and concluded that the carrying amount of the fixed assets is lower than the amounts negotiated for sale.

(b) Statement of Income (Operations) for the Period

	Period Ended June 30	
	2020	2019
	US\$	R\$
CNO S.A - Sucursal Venezuela (v)	(170,336)	168,356
CBPO Ingenieria de Venezuela C.A. (v)	(12,179)	117,484
CBPO Ltda. - Sucursal Venezuela (v)	(6,699)	412
Chavimochic	(87)	(478)
Rutas del Sol	(47,671)	(261,041)
	<u>(236,972)</u>	<u>286,252</u>
Profit (loss) of discontinued operations for the period – per share	<u>(0.018)</u>	<u>0.029</u>

(v) This refers to the discontinuation of the operations of the Company’s branch and subsidiary in Venezuela, as presented in Note 1 (d) and the amount of R\$ 1,036,139 – US\$ 189,215 substantially refers to foreign exchange losses on liabilities in foreign currency.

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14 Investments

(a) Information on the Main Investees

	Shares / Quotas directly or indirectly held		Company's interest %		Total assets		Liabilities (Current and Non-current)		Equity (Net capital deficiency)		Revenue		Profit (loss) for the period	
	December 31,		December 31,		December 31,		December 31,		December 31,		December 31,		December 31,	
	June 30, 2020	2019	June 30, 2020	2019	June 30, 2020	2019	June 30, 2020	2019	June 30, 2020	2019	June 30, 2020	2019	June 30, 2020	2019
OSPIInv (i) (ii)	816,671,285	816,671,285	41.47	41.47	5,994,557	11,184,631	15,766,756	12,688,757	(9,772,199)	(1,504,125)	19,019	41,598	(3,514,988)	(2,973,103)
SDM (ii)	225,000	225,000	50.00	50.00	11,219	11,219	37,886	37,882	(26,668)	(26,663)			(5)	(260)
CTO - Concessionária Tránsito Olmos	40,419,434	23,052,086	36.32	36.32	596,906	453,544	84,804	384,538	132,522	69,006	64,408	74,465	36,739	2,725
Elos Ligações de Alta Velocidade S.A.	65,210	65,220	13.04	13.04	998,464	735,069	185,690	136,478	812,775	598,591		44		(3,365)
SPV Andrade Gutierrez Odebrecht	52,500	52,500	50.00	50.00	111,010	85,341	49,619	44,685	61,392	40,656	7,737	43,176	6,043	13,121
Etileno XXI Holding B.V.	18,000	18,000	50.00	50.00	79,434	59,234	310	229	79,125	59,004			(2)	2,871
Etileno XXI Services B.V.	18,000	18,000	40.00	40.00	142,995	108,149	3,005	26,444	139,990	81,704		22,331	(71)	19,458
Rutas de Lima	40,941	40,941	25.00	25.00	3,848,732	3,049,300	2,472,119	1,939,718	1,367,229	1,102,206	141,119	464,844	33,699	(58,665)
			Total in R\$		11,783,317		18,600,189		(7,205,835)		232,283		(3,438,586)	
			Total in US\$		2,151,811		3,396,674		(1,315,894)		42,418		(627,938)	

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

(ii) On June 30, 2020, these investments present a net capital deficiency. Additionally, the Company's share of the accumulated losses of these companies is higher than the carrying amount of the investment. In accordance with the accounting policies related to the practice of recording losses in associates and jointly-controlled subsidiaries, the Company does not recognize as a liability its share of the additional losses arising from these investments.

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

Investments - associates	Company's Interest %	Country	December 31, 2019	Dividends	Transfer to held for sale assets	Retained earnings (accumulated deficit) adjustments	Equity in the results of investees (a)	Other equity (a) (i)	Translation adjustments	June 30, 2020
CTO - Concessionária Travase Olmos	36.32	Peru	25,064				12,496		10,573	48,133
CENTRAD - Concórdio do Centro ADM	5.00	Brazil	15,174				(1,847)	(79)		13,248
Etileno XXI Holding B.V.	50.00	Netherlands	29,501				(2)		10,061	39,560
Etileno XXI Services B.V.	40.00	Netherlands	32,681				(28)		23,343	55,996
Grand Parkway	50.00	USA	8,978	(675)			396		3,934	12,633
SPV Andrade Gutierrez Odebrecht	50.00	Gana	20,328				3,021		7,347	30,696
AOT Pipelines	33.34	Mexico	17,061				2,985		2,270	22,316
ELOS - Ligação de Alta Velocidade S.A.	13.04	Portugal	78,051						27,968	106,019
Kulanda Malls	30.00	Angola	12,833				(2,783)		4,603	14,653
Rutas de Lima (b)	25.00	Peru			261,007		6,242		74,559	341,808
Other investments			6,367	(4,273)		(5,421)	8,471		2,153	7,297
Total investments - Associates (in R\$)			246,038	(4,948)	261,007	(5,421)	28,951	(79)	166,811	692,359
Total investments - Associates (in US\$)				(904)	47,664	(990)	5,287	(14)	30,462	126,435

Provision for net capital deficiency	Company's interest %	Country	December 31, 2019	Dividends	Transfer to held for sale assets	Retained earnings (accumulated deficit) adjustments	Equity in the results of investees (a)	Other equity (a) (i)	Translation adjustments	June 30, 2020
B.SABOR - Bento Pedroso Const. e Lena	50.00	Portugal	(8,252)						(2,957)	(11,209)
Biocom	40.00	Angola	(196,105)				(8,336)		(70,779)	(275,220)
Other			(1,989)				(2)		(714)	(2,705)
Total provision for net capital deficiency (in R\$)			(206,346)				(8,338)		(74,450)	(289,134)
Total provision for net capital deficiency (in US\$)							(1,523)		(13,596)	(52,800)
Net investment			39,692	(4,948)	261,007	(5,421)	20,534	(79)	92,361	403,225

(a) This refers to Equity in the results of investee in the amount of R\$ 20,534 – US\$ 3,750.

(b) As described in Note 13 (a), item ii, the amount of R\$ 261,007 – US\$ 47,664 was reclassified from the “Non-current assets held for sale” account to the “investments” account in permanent assets related to the investment in Rutas de Lima. It is worth noting that, after the reclassification, the effects from the equity in the results of investees were adjusted from the period that the above mentioned investments were classified as held for sale until June 30, 2020, as provided for in CPC 31. The profit or loss effects for this period were presented in equity in the results of continuing operations.

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15 Property and Equipment

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

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

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(continued)

	Land	Buildings and Installations	Machinery and Equipment	Vehicles and Ships	Furniture and Fixtures	IT Equipment	Construction in Progress	Other	Total
Cost	32,143	375,311	737,347	250,437	128,087	84,637	55,811	374,754	2,038,527
Accumulated depreciation		(100,415)	(538,101)	(214,676)	(101,482)	(78,593)		(321,816)	(1,355,083)
At January 1, 2020	32,143	274,896	199,246	35,761	26,605	6,044	55,811	52,938	683,444
Additions			1,866	20,924	2,205	265		52,563	77,823
Disposals		(3,478)	(86,725)	(409)	(601)	(74)		(510)	(91,797)
Transfers (i)		3	56,704		(2,311)		(55,728)	(58,057)	(59,389)
Depreciation		(4,733)	(13,404)	(5,890)	(4,007)	(3,216)		(9,819)	(41,069)
Exchange variation	10,314	95,577	54,489	8,972	5,822	1,378	409	(10,812)	166,149
	42,457	362,265	212,176	59,358	27,713	4,397	492	26,303	735,161
Cost	42,457	494,333	824,340	324,464	151,561	100,390	492	441,791	2,379,828
Accumulated depreciation		(132,068)	(612,164)	(265,106)	(123,848)	(95,993)		(415,488)	(1,644,667)
At June 30, 2020 - R\$	42,457	362,265	212,176	59,358	27,713	4,397	492	26,303	735,161
At June 30, 2020 - US\$	7,753	66,155	38,747	10,840	5,061	803	90	4,803	134,251
Annual depreciation rates (%)		4	20	25	10	20		up to 10	

(i) This refers mainly to property and equipment transferred to current assets held for sale related to CEL6, as described in Note 13 (a).

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16 Right of Use

(a) Information on the Right of Use

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

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

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

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

(b) Changes in the Right of Use

	Building lease	Machinery and equipment lease	Information technology equipment lease	Total
Cost	81,726	986		82,712
Accumulated amortization				
At January 1, 2019	81,726	986		82,712
Additions	60,132	70	154	60,356
Disposals	(38)	(93)		(131)
Depreciation	(16,611)	(328)	(68)	(17,007)
Foreign currency translation adjustment	596			596
Accounting balance	125,805	635	86	126,526
Cost	142,040	1,296	154	143,490
Accumulated depreciation	(16,235)	(661)	(68)	(16,964)
At December 31, 2019 - R\$	125,805	635	86	126,526
Annual depreciation rates (%)	4	up to 17	20	

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	Building lease	Machinery and equipment lease	Information technology equipment lease	Total
Cost	142,040	1,296	154	143,490
Accumulated amortization	(16,235)	(661)	(68)	(16,964)
At January 1, 2020	125,805	635	86	126,526
Additions	808			808
Disposals	(72)	(251)	(86)	(409)
Depreciation	(11,058)	(312)		(11,370)
Foreign currency translation adjustment	1,143	(2)		1,141
Accounting balance	116,626	70		116,696
Cost	144,039	772		144,811
Accumulated depreciation	(27,413)	(702)		(28,115)
At June 30, 2020 - R\$	116,626	70		116,696
At June 30, 2020 - US\$	21,297	13		21,310
Annual depreciation rates (%)	4	up to 17	20	

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17 Debts

(a) Breakdown of Debts

Financial Institution	Country	Currency	Type of operation	Type	Annual Financial Charges	June 30, 2020	December 31, 2019
						US\$	R\$
Banco Regional do Keve	Angola	KWA	Operational	Short-term debts	Fixed interest 23,80% + EV	871	4,767
Royal Bank of Scotland	Cayman Islands	US\$	Investment	ECA	Fixed interest 10,25% + EV	8,297	45,432
Landesbank Baden	Dominican Republic	US\$	Investment	Short-term debts	LIBOR + 2.025% + EV	3,503	19,180
Banco Occidental de Descuento	Venezuela	VES	Operational	Long-term debt	Fixed interest 24% + EV	1	8
Crédito Agrícola Costa Azul	Portugal	€	Operational	Long-term debt	EURIBOR 12M + 2.50%	3,414	18,696
Banco Africano de Investimentos	Angola	KWA	Operational	Short-term debts	Libor 6M + 1,50% p.y Spread (20,59%)	2,113	11,572
Banco Fomento de Angola	Angola	KWA	Operational	Short-term debts	Fixed interest 19.50% + EV	6,508	35,636
Banco Internacional de Crédito	Angola	KWA	Operational	Short-term debts	Libor 6M + 2,00% p.y Spread (21,34%)	1,567	8,580
Banco Millennium Atlântico	Angola	KWA	Operational	Short-term debts	Libor 1M + 2,75% p.y Spread (21,29%)	10,445	57,199
Liberty Mutual Surety	USA	US\$	Operational	Short-term debts	Fixed interest 5,35% + EV	14,129	77,368
Novo Banco	Portugal	€	Operational	Long-term debt	EURIBOR (6M) + Spread 6%	16,384	89,721
Banco do Brasil	Brazil	R\$	Operational	ACC	Fixed interest 7.43%	45,837	251,004
Banco do Brasil	Brazil	R\$	Operational	ACE	Fixed interest 7.43%	4,773	26,136
Several foreign financial institutions	Several	US\$			Fixed interest 6,74% + EV	98	543
						117,940	645,842
Abbreviations:							
COP - Colombian Peso	EV - Exchange Variation				Guarantee of Bonds - OFL	649,156	3,554,776
DTF - Deposits to Fixed Terms Rate	VES - Sovereign Bolivars					767,096	4,200,618
EURIBOR - Euro Interbank Offered Rate	US\$ - American Dollar						3,029,318
LIBOR - London Interbank Offered Rate	€ - Euro				Current liabilities	747,198	4,091,657
KWA - Kwanza (Angola currency)	AED - Dirham						
ECA - Export Credit Agencies	R\$ - Brazilian Reais				Non-current liabilities	19,898	108,961
ACC - Advances on Exchange Contracts	ACE - Advance of Export Contract						80,234

By the date of the issue of these consolidated interim financial statements, the following financing agreements had been terminated: Royal Bank of Scotland (RBS) / OOL, Landesbank Baden (LBBW) / CNO RD, Banco Fomento de Angola (BFA) / OAL and Banco Occidental de Descuento / CBPO Ingeniería de Venezuela C.A. / CNO S.A. – Banco do Brasil (ACE). These amounts are being negotiated with the respective financial institutions so as to establish the new conditions and terms for the amortization of the respective balances.

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(b) Changes in Debts

Countries	December 31, 2019	Additions	Principal amortization	Interest amortization	Provision of interests	Exchange Variation	Provision of guarantees	June 30, 2020
Angola	126,874		(25,636)	(1,200)	1,611	16,105		117,754
Portugal	79,817					28,600		108,417
Dominican Republic	13,670				507	5,003		19,180
Venezuela	26					(18)		8
USA	53,979	3,476	(18)			20,474		77,911
Cayman Islands	32,996				543	11,893		45,432
Brazil	193,898		(7,206)		21,998	68,450		277,140
Brazil - guarantee of Bonds	2,528,058					906,493	120,225	3,554,776
Total Loan and Finance Debts (in R\$)	3,029,318	3,476	(32,860)	(1,200)	24,659	1,057,000	120,225	4,200,618
Total Loan and Finance Debts (in US\$)		635	(6,001)	(219)	4,503	193,024	21,955	767,096

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

	June 30, 2020	
	US\$	R\$
2021	16,484	90,265
2023	3,414	18,696
	<u>19,898</u>	<u>108,961</u>

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

	June 30, 2020		December 31, 2019
	US\$		R\$
Local currency (Reais)	50,610	277,140	193,899
Foreign currency (U.S. Dollars)	675,182	3,697,299	2,628,702
Foreign currency (Kwanza)	21,504	117,754	126,874
Foreign currency (Euro)	19,799	108,417	79,817
Foreign currency (Others)	1	8	26
	<u>767,096</u>	<u>4,200,618</u>	<u>3,029,318</u>

(c) Covenants

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

18 Suppliers and Subcontractors

	June 30, 2020				December 31, 2019
	Current	Overdue - 1 - 90 days	Overdue - 91 - 365 days	Overdue more than 365 days	Total
Brazil	96,500	91,650	41,248	34,441	263,839
Abroad	55,451	232,760	358,933	4,021,991	4,669,135
Total (in R\$)	<u>151,951</u>	<u>324,410</u>	<u>400,181</u>	<u>4,056,432</u>	<u>4,932,974</u>
Total (in US\$)	<u>27,749</u>	<u>59,242</u>	<u>73,079</u>	<u>740,766</u>	<u>900,835</u>
	Current liabilities (R\$)				<u>4,924,683</u>
	Current liabilities (US\$)				<u>899,321</u>
	Non-current liabilities (R\$)				<u>8,519</u>
	Non-current liabilities (US\$)				<u>1,514</u>

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

19 Taxes, Fees, Salaries and Social Contributions

		June 30, 2020	December 31, 2019
	US\$		R\$
Labor obligations			
Brazil	20,255	110,917	172,406
Abroad	55,509	303,968	296,147
	75,764	414,885	468,553
Tax obligations (a)			
Brazil	14,418	78,955	84,937
Abroad	72,031	394,437	649,970
	86,449	473,392	734,907
	162,213	888,277	1,203,460
Current liabilities	153,811	842,267	1,153,970
Non-current liabilities	8,402	46,010	49,490

(a) Breakdown by nature of the tax liabilities:

		June 30, 2020	December 31, 2019
	US\$		R\$
Liabilities - payable			
Income tax and Income tax withheld at source	38,253	209,471	517,046
Indirect taxes	16,259	89,036	80,302
Financing (Note 12 (c) and (d))	11,810	64,670	68,180
Payroll charges	1,811	9,918	53,034
Other	18,316	100,297	16,345
	86,449	473,392	734,907

20 Provisions for Tax, Labor, Civil and Others Contingencies

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

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

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			June 30, 2020	December 31, 2019
	Tax, labor and civil contingencies (b)	Agreements (a)	Total	Total
In R\$				
Current liabilities		522,689	522,689	396,486
Non-current liabilities	877,281	4,025,156	4,902,437	3,952,303
In US\$				
Current liabilities		95,451	95,451	
Non-current liabilities	160,205	735,054	895,259	

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

	US\$	R\$
Tax (i)	72,018	394,372
Labor (ii)	80,181	439,073
Civil	30,972	169,598
	183,171	1,003,043
(-) Judicial deposits	(22,966)	(125,762)
June 30, 2020	160,205	877,281
December 31, 2019		722,468

- (i) Tax – Peru's tax authorities have been inspecting the companies Odebrecht Perú Ingeniería y Construcción SAC, Construtora Norberto Odebrecht S.A. – Peru Branch and Consórcio Constructor Ductos Del Sur with respect to income taxes and sales taxes for the period from 2010 to 2014. In accordance with the estimate made by the Company's Legal Department, an estimate for provision was considered to cover these legal proceedings and on June 30, 2020, it is recorded in the amount of R\$ 333,725 – US\$ 60,943 (December 31, 2019 – R\$ 245.913).
- (ii) Labor - There are many labor claims filed against OEC and its subsidiaries, including consortiums, and each concessionaire is responsible for the equivalent to its part quota. There are also claims in which OEC and its subsidiaries appear as jointly liable, in addition to claims involving former expatriated employees. The proceedings that are in the prejudgment phase ("no decision awarded") and/or "with a favorable decision to the plaintiff" pending judgment of appeals by higher courts are reflected as possible losses.

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

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		June 30, 2020	December 31, 2019
	US\$		R\$
Tax (iii)	1,363,582	7,466,976	6,670,505
Labor (ii)	75,234	411,983	377,261
Civil (iv)	839,407	4,596,592	3,924,413
Total provision for contingencies	2,278,223	12,475,551	10,972,179

(iii) Tax

- Brazil

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

The defense of this Tax Deficiency Notice was considered groundless by the lower court. In March 2020, the hearing session was held for our new appeal, which was partially accepted to discharge the collection of Income Tax Withheld at Source, and the other part was maintained to be decided by casting vote. Although we have not yet had access to the Sentence, we believe that the outcome will imply a 50% reduction in the amount of the notice. Currently, we are awaiting the notification on the content of the decision so that we can file an appeal at a higher administrative court.

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

- México

Tax proceeding arising from the inspections by the "Servicio de Administración Tributaria" (SAT) of CNO Mexico Branch related to 2014 and 2015 in the total approximate amount of R\$ 966,891 for both periods. After the completion of the inspection procedures, which are currently in the administrative litigation phase, the Company filed a "demanda de nulidad" related to the inspection of 2015 with the Federal Administrative Court of Justice (TFJA) and it is expected to file another one related to 2014 as soon as the TFJA resumes its activities, which are suspended as a result of the COVID-19 pandemic. The Company presented documents that challenge the assessment – particularly Value-Added Tax (IVA) and Income Tax (IR) on remittances by the parent company that are considered income and it claims that the assessment by SAT was extemporaneous since Article 50 of the Tax Code of the Mexican Federation determines a period of six months to notify the taxpayer of inconsistencies in the determination of taxes. The first "demanda de nulidad" has not yet been analyzed by TFJA and soon after the resumption of the TFJA's activities, the same procedural measure will be taken for the declaration of nullity in the assessment related to 2014.

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(iv) Civil

- Brazil

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

Among these actions, considering the amounts involved, are administrative improbity actions filed (i) by the São Paulo State Public Prosecution Office related to contracts for the performance of Line 5 of the São Paulo Metro, amounting to R\$ 1,407,866 – US\$ 257,098, and of urban cleaning services, the impact of which for the Company cannot be estimated yet due to the pending judgment of the appeal and the need to settle the parameters determined in the sentence and (ii) by the Rio de Janeiro State Public Prosecution Office related to the contract for the performance of the construction works of Line 4 of the Rio de Janeiro Metro, the impact of which for the Company cannot be estimated yet due to the initial stage they are in. These actions were duly challenged by Company's subsidiaries and are in progress in court.

The OEC Group companies are parties to arbitration proceedings that are in progress and involve contingencies to be received and paid, of which some are still at an incipient stage, awaiting the establishment of the Arbitration Court and/or the completion of negotiations that allow for the settlement of the litigations.

Due to the very nature of these proceedings and the stage they are at, the claims contained in them are clearly controversial, arising from obligations assumed in contracts entered into by the OEC Group companies with third party companies and they depend on decisions of arbitration courts to determine responsibilities and, above all, determine the final amounts that must be paid by the parties, which, in most cases, depend on the performance of technical and complex expert tests that involve the fields of engineering, accounting and economics.

The Company contracted law firms whose specialization/recognition is well known to represent its interests in these disputes. Based on the current status and peculiarities of these proceedings, the Company estimates contingencies to be paid in the amount of R\$ 741,813 – US\$ 135,466 and contingencies to be received in the amount of R\$ 327,023 – US\$ 59,719, and the expectation of realization for all of them is considered possible, which could lead to a final contingency amount payable of R\$ 414,790 – US\$ 75,747.

- Colombia

Public civil action filed by PNG against Concesionaria Ruta Del Sol, their stockholders OLI Colombia (37%), CNO (25.1%), other corporate stockholders and, also, individuals, for alleged violation of collective rights and damage to public assets due to acts of corruption involving the concession agreement. A lower court decision sentenced the respondents to be jointly responsible for compensation in the approximate amount of US\$ 210 million – R\$ 1,150 billion. The Company filed an appeal arguing the illegality of the decision and challenging the inadequate criteria used to calculate the compensation. The appeal was accepted in February 2020 only with respect to its devolutive effect and is awaiting judgment.

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Antitrust investigation, through the SIC Administrative Proceeding, related to the procedure for the adjudication of the concession agreement of Ruta del Sol with respect to CNO, OPI, other corporate stockholders and, also, individuals. The defense of the Company and its employees is based on the allegation of non-occurrence of a restrictive practice in consideration for admitted illicit payments. After the completion of the preliminary hearing stage, a recommendation was issued for a penalty for all of those investigated as a consequence of the illicit payments. The fine for each company may reach US\$ 25 million – R\$ 137 million. Once the resolution is issued, no appeal or judicial order with suspensive effect can be filed.

- Venezuela

The Company's indirect subsidiary, CNO Sucursal Venezuela, is a respondent in Venezuela in a proceeding filed by CAMETRO with respect to Metro Caracas – Viviendas Mariche relating to the execution of a guarantee on advances received by the Company that have not been amortized, in addition to the alleged non-performance of a contract, whose exposure to loss is estimated at R\$ 209,764 - US\$ 38,306. The proceeding is currently in progress in the lower court.

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21 Leases

Contract	Currency	Annual discount rate		June 30, 2020	December 31, 2019
			US\$		R\$
Real estate property lease	R\$ / US\$	19.50%	28,581	156,508	151,018
Machinery and equipment lease	R\$	19.50%	93	511	828
Information technology equipment lease	R\$	19.50%	12	68	150
			28,686	157,087	151,996
		Current liabilities	5,247	28,735	21,223
		Non-current liabilities	23,439	128,352	130,773

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

	June 30, 2020	
	US\$	R\$
2021	604	3,310
2022	3,211	17,583
2023	6,326	34,640
2024 and thereafter	13,298	72,819
	<u>23,439</u>	<u>128,352</u>

On July 3, 2020, the Technical Coordination Office of the Accounting Pronouncements Committee (CPC) made public the approval by the members of the CPC, in accordance with the provisions in CFC Resolution No. 1,055/05 and subsequent amendments, of the review of the Accounting Pronouncement CPC 06 (R2) – Leases. The review of the above mentioned document, in the opinion of the Committee, generates accounting reflections that are in conformity with the international accounting rules edited by IASB.

This review establishes amendments to the Accounting Pronouncement CPC 06 (R2) arising from Benefits Related to Covid-19 Granted to Lessors in Lease Contracts.

The Company assessed the lease contracts in effect for the period ending June 30, 2020, and it did not identify material effects arising from the application of this review.

22 Other Liabilities – Current and Non-Current

On June 30, 2020, the balances of other current liabilities are of different natures and dispersed and they consist mainly of contractual provisions related to discussions that are in progress with subcontractors, consortium companies and customers with respect to projects in Brazil and abroad in the amount of R\$ 608,485 – US\$ 111,119 (December 31, 2019 – R\$ 432,598).

On June 30, 2020, the balances of other non-current liabilities are of different natures and dispersed, and the main ones are: i) contractual provisions related to discussions that are in progress with a customer with respect to projects in Brazil with the Company amounting to R\$ 345,569 – US\$ 63,106 (December 31, 2019 – R\$ 336,169)

23 Net Capital Deficiency

(a) Capital

On June 30, 2020, the Company's capital of R\$ 9,771,631 – US\$ 1,784,447 (December 31, 2019 – R\$ 9,771,631), is fully subscribed and paid-up entirely by Brazilian corporations and comprised 13,091,490,404 (December 31, 2019 – 13,091,490,404), registered common shares with no par value.

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(b) Carrying Value Adjustments

This account was established by Law No. 11,638/07 for the purposes of recording the amounts in equity that have not yet been recorded in profit or loss. The effects of these amounts on profit or loss will be recognized upon their effective realization. The changes in this account in the periods ended June 30, 2020 and 2019 were as follows:

	US\$	Period Ended June 30	
		2020	2019
			R\$
At the beginning of the period	322,944	1,768,442	1,105,294
Carrying value adjustments in investees (i)	(742)	(4,064)	117,384
Reflection effect from foreign investees of monetary restatement (ii)	8,137	44,559	(283,531)
Foreign exchange variation on foreign investments (iii)	275,598	1,509,174	150,492
At the end of the period	605,937	3,318,111	1,089,639

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

(ii) In 2019, the change in the reflex effects from the monetary adjustment of foreign investees is tied to the effects of the inflation of the indirect subsidiaries of the Company in Venezuela and Argentina. In 2020, the change corresponds only to inflationary effects of the Company's subsidiaries in Argentina since the Company stopped recognizing the inflationary effects in Venezuela on July 1, 2019, as reported in Note 2.3.

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

(c) Loss per Share

	US\$	Period Ended June 30	
		2020	2019
			R\$
Loss for the period attributable to the Company's stockholders	(1,087,094)	(5,952,929)	(2,528,722)
Weighted average number of shares, per class (In thousands)			
Common shares	13,091,490	13,091,490	9,989,412
Earnings per share			
Common shares	(0.083)	(0.455)	(0.253)

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24 Services and Sales Revenue

	Period Ended June 30		
	2020		2019
	US\$		R\$
Services revenues			
Domestic market	76,076	416,593	437,555
Foreign market	143,383	785,163	2,412,750
	219,459	1,201,756	2,850,305
Sales revenues			
Domestic market	2,440	13,362	2,329
Foreign market			13,011
	2,440	13,362	15,340
Taxes and contributions on services and sales	(7,108)	(38,925)	(44,583)
Net services and sales revenues	214,791	1,176,193	2,821,062

25 Expenses by Nature

	Period Ended June 30			
	2020		2019	
	Cost of services rendered	General and administrative, and selling expenses	Total R\$	Total US\$
Raw materials and consumables	(222,996)	(5,029)	(228,025)	(41,641)
Personnel expenses	(315,813)	(241,594)	(557,407)	(101,791)
Outsourced services (a)	(368,210)	(32,744)	(400,954)	(73,220)
Depreciation and amortization	(21,052)	(30,002)	(51,054)	(9,323)
Reversion (Provision) for contingencies	1,747	(37,356)	(35,609)	(6,503)
Provision on doubtful accounts		(21,996)	(21,996)	(4,017)
Amortization of right of use	(1,007)	(10,363)	(11,370)	(2,076)
Administrative expenses	(25,005)	(62,875)	(87,880)	(16,048)
Other, net	(9,127)	(20,031)	(29,158)	(5,325)
	(961,463)	(461,990)	(1,423,453)	(259,944)
				(2,741,505)

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(a) Breakdown of Outsourced Services by Nature

	Period Ended June 30	
	2020	2019
	US\$	R\$
Subcontractors	(55,227)	(302,421)
Rental and maintenance of equipment	(2,011)	(11,013)
Cleaning and surveillance	(1,692)	(9,264)
Transportation	(2,072)	(11,345)
Audit and advisory services	(12,106)	(66,292)
Computers and technology	(102)	(557)
Other	(10)	(62)
	<u>(73,220)</u>	<u>(400,954)</u>
		<u>(1,224,372)</u>

26 Financial Result, Net

	Period Ended June 30	
	2020	2019
	US\$	R\$
Income from financial investments	1,308	7,160
Foreign exchange variation (expenses) income (i)	(730,471)	(4,000,059)
Financial charges on debts	(6,852)	(37,519)
Lease interest	(2,477)	(13,562)
Provision for guarantees (ii)	(21,955)	(120,225)
Bank commissions	(5,207)	(28,511)
Allowance for expected losses from related parties	(55,892)	(306,063)
Adjustment Value Present	(13,486)	(73,852)
Others, net	17,201	94,187
	<u>(817,831)</u>	<u>(4,478,444)</u>
		<u>(2,548,152)</u>

- (i) Loss on foreign exchange variation arising mainly from liabilities in foreign currency tied to its foreign branches and indirect subsidiaries.
- (ii) As described in Note 1 (b), this arises from the launch of the Consent Solicitation in the market based on the terms and conditions of the Term Sheet and the balance of the provision for guarantee was adjusted based on the fair value of the OFL Bonds, the adjusted amount of which was US\$ 21,955 – R\$ 120,225.
- (iii) As mentioned in Note 1 (c), in 2019, the Company's management assessed the need to recognize a provision for impairment of the credits maintained with the companies that are in judicial recovery. Accordingly, on June 30, 2020, the provision arising from the effects of the foreign exchange variation recorded in the period was adjusted.

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27 Income Tax and Social Contribution

	Period Ended June 30	
	2020	2019
	US\$	R\$
Current income tax	(170)	(2,468)
Current social contribution	(61)	(889)
Foreign income tax (branches and subsidiaries) - current	12,558	(154,698)
	<u>12,327</u>	<u>(158,055)</u>
Deferred income tax	(5,348)	(8,904)
Deferred social contribution	(1,925)	(3,206)
Foreign income tax (branches and subsidiaries) - deferred	(58)	35,976
	<u>(7,331)</u>	<u>23,866</u>

(a) Income Tax in Brazil and Foreign

In the period ended June 30, 2020, the income tax expense is represented mainly by the taxes generated by the operations of the Company in Brazil R\$ 41,096 – US\$ 7,505 (June 30, 2019 - R\$ 15,467), Angola (R\$ 59,790) – (US\$ 10,919) (June 30, 2019 - R\$ 101,463), and Panama (R\$ 157) – (US\$ 29) (June 30, 2019 – R\$ 52,245).

28 Collaterals

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

Type of guarantee	Type		June 30, 2020	December 31, 2019
		US\$		R\$
Corporate guarantee	Bonds OFL (note 1 (b))	3,247,777	17,784,826	12,676,527
	Odebrecht Group Companies (i)	196,321	1,075,052	791,310
	FINAME OSP	918	5,027	6,305
	Loans	98,113	537,269	654,740
	Property and Equipment	926	5,071	4,011
	Lease	3,325	18,209	14,303
Bank guarantee	Appeal Bond	21,138	115,752	103,623
	Performance Bond	58,316	319,337	239,634
Guarantee insurance	Advance Payment Bond	1,675,323	9,174,071	6,817,417
	Performance Bond	2,446,856	13,398,986	10,841,070
	Performance And Payment Bond	29,674	162,493	1,288,355
	Maintenance Bond	437,004	2,393,034	1,665,378
	Other	105,599	578,255	550,705
		<u>8,321,290</u>	<u>45,567,382</u>	<u>35,653,378</u>

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

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

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

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

The EPC contract provides for a limitation of responsibility of ten percent (10%) of the amount of the contract, duly adjusted in accordance with amendments and by inflation. The limitation of responsibility of the parties does not apply in the cases of willful misconduct, gross negligence, fraud, arrears fines or violation of environmental, tax and labor/social security laws.

During the performance of the EPC Contract, many disputes arose between Enseada and PNBV related to compliance with contractual obligations by both parties.

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

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

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

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

29 Insurance Coverage (Unaudited)

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

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

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		June 30, 2020	December 31, 2019
	US\$		R\$
Brazil	1,623,862	8,892,271	9,262,223
Abroad	6,985,512	38,252,663	36,489,305
	<u>8,609,374</u>	<u>47,144,934</u>	<u>45,751,528</u>

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

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

30 Subsequent Events

(a) Corporate restructuring

As described in Note 1 (b), the Company completed the negotiations with the Ad Hoc Group and it launched, on June 15, 2020, the Consent Solicitation in the market based on the terms and conditions of the Term Sheet.

One of the requests formalized in the Consent Solicitation is the corporate restructuring of the Company's subsidiaries, which will support the recording of: (i) the issue of New Bonds, representing 45% of the current Bond amounts; and (ii) a participation debt instrument that will entitle holders to future distributions of results related to the Company's performance.

On July 31, 2020, the Extraordinary General Stockholders' Meeting approved the increase in the capital of OECSA by the Company through the full transfer of the ownership interests in the direct subsidiaries held by the Company (CNO, OECI, Tenenge, OENGER, OEC Finance Limited), except for ODB Holdco.

Additionally, on the same date and after the event above, the increase in the capital of ODB Holdco by the Company was approved by means of the full transfer of the ownership interest in OECSA held by the Company.

(b) Call Option CIDs

On August 24, 2020, the Company received from the Nagoia Fund the amount of R\$ 79,606 – US\$ 14,537 arising from the payment of the totality of the 3,692 Call Option CIDs, as mentioned in Note 6. As a result of this receipt, the amount of R\$ 3,728 – US\$ 681 was recorded in finance income due to the monetary adjustment provided for in the Assignment Agreement entered into with the Fund.

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