

OFFERING MEMORANDUM

U.S.\$500,000,000

Odebrecht Finance Ltd.

(incorporated with limited liability in the Cayman Islands)

7.50% Perpetual Notes

Unconditionally and Irrevocably Guaranteed by

Construtora Norberto Odebrecht S.A.

(incorporated in the Federative Republic of Brazil)

Odebrecht Finance Ltd., or the issuer, is offering U.S.\$500,000,000 aggregate principal amount of its 7.50 % perpetual notes, or the notes. Interest on the notes will accrue at a rate of 7.50% per annum. The issuer will pay interest on the notes quarterly in arrears on March 14, June 14, September 14 and December 14 of each year, commencing on December 14, 2010.

The notes will be perpetual notes with no fixed final maturity date and will be repaid only in the event that the issuer redeems the notes or upon acceleration due to an event of default, as described under “Description of the Notes.” The notes may, at the option of the issuer, be redeemed, in whole or in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any date on or after September 14, 2015; provided that in the case of any partial redemption, at least U.S.\$100,000,000 in aggregate principal amount of the notes must remain outstanding. The notes may also be redeemed, in whole but not in part, at any time upon the occurrence of specified events relating to Brazilian or Cayman Islands tax law, as set forth in this offering memorandum. See “Terms and Conditions.”

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

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF Market of that exchange. See “Listing and General Information.”

Investing in the notes involves risks. See “Risk Factors” beginning on page 13.

Price: 100% plus accrued interest, if any, from September 14, 2010

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

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company, or DTC, on or about September 14, 2010.

Joint Bookrunners and Joint Lead Managers

Credit Suisse

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The date of this offering memorandum is September 7, 2010.

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

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

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

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes. We, as well as Credit Suisse Securities (USA) LLC and Banco Itaú Europa, S.A. – London Branch, or the initial purchasers, reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the notes offered by this offering memorandum.

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

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. The notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

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

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

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

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

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

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

The notes will be available initially only in book-entry form. We expect that the notes will be issued in the form of one or more registered global notes. The global notes will be deposited with, or on behalf of, DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global notes will be shown on, and transfers of beneficial interests in the global notes will be effected through, records maintained by DTC and its participants. We expect the Regulation S global notes, if any, to be deposited with the trustee, as custodian for DTC, and beneficial interests in them may be held through the Euroclear System, Clearstream Banking, *société anonyme*, or Clearstream Banking, or other participants. After the initial issuance of the global notes, certificated notes may be issued in registered form, which shall be in minimum denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000.

Additional Information

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

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF market. See “Listing and General Information.” We will comply with any undertakings that we give from time to time to the Luxembourg Stock Exchange in connection with the notes, and we will furnish to the Luxembourg Stock Exchange all such information required in connection with the listing of the notes.

ENFORCEMENT OF CIVIL LIABILITIES

Cayman Islands

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

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

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

Brazil

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

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

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

We have also been advised that civil actions may be brought before Brazilian courts in connection with this offering memorandum based solely on the federal securities laws of the United States and that Brazilian courts may enforce such liabilities in such actions against us (*provided* that provisions of the federal securities laws of the

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

Solely for the convenience of the reader, we have translated some amounts included in “Summary—Summary Financial and Other Information of CNO,” “Capitalization,” “Selected Financial and Other Information of CNO” and elsewhere in this offering memorandum from *reais* into U.S. dollars using the selling rate as reported by the Central Bank of Brazil (*Banco Central do Brasil*), or the Central Bank, at June 30, 2010 of R\$1.8015 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. Such translations should not be construed as representations that the *real* amounts represent or have been or could be converted into U.S. dollars as of that or any other date. See “Exchange Rates.”

Financial Statements

CNO Financial Statements

We maintain our books and records in *reais*.

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

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Brazilian Law No. 11,638/07 and by Provisional Measure No. 449/08, which we refer to collectively as the Brazilian Corporate Law;
- the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the CVM; and
- the accounting standards issued by the Brazilian Institute of Independent Accountants (*Instituto dos Auditores Independentes do Brasil*).

The financial information contained in this offering memorandum includes our (1) unaudited interim consolidated financial statements as of June 30, 2010 and December 31, 2009 and for the six-month periods ended June 30, 2010 and 2009, which have been subjected to a limited review by our independent accountants, (2) consolidated financial statements as of and for each of the years ended December 31, 2009 and 2008 and (3) consolidated financial statements as of and for each of the years ended December 31, 2008 and 2007, which have been audited by our independent accountants, as stated in their report included elsewhere in this offering memorandum. The financial statements as of and for the year ended December 31, 2007 have been amended and restated to reflect changes to the Brazilian Corporate Law described below, as described in note 2.1 to our financial statements as of and for the years ended December 31, 2008 and 2007.

On December 28, 2007, Law No. 11,638/07 (as amended by Provisional Measure No. 449/08) was enacted, which sets forth several amendments to the preparation of financial statements. The principal objective of Law No. 11,638/07 and Provisional Measure No. 449/08 was to update the Brazilian Corporate Law to facilitate convergence of Brazilian accounting standards with those of the International Financial Reporting Standards, or IFRS, issued by the International Accounting Standard Board (IASB). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations of CNO—Financial Presentation and Critical Accounting Policies.”

The audit reports of our independent accountants in respect of our audited financial statements include an explanatory paragraph regarding our relationships and transactions with related parties and an explanatory paragraph regarding the translation of the financial statements to U.S. dollars.

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

Odebrecht Finance Ltd. Financial Statements

Odebrecht Finance maintains its books and records in U.S. dollars and prepares its financial statements in accordance with Brazilian GAAP.

Odebrecht Finance was incorporated on January 30, 2007. The financial information contained in this offering memorandum includes the financial statements of Odebrecht Finance as of and for the years ended December 31, 2009 and 2008 and as of and for the period from January 30, 2007 to December 31, 2007, which have been audited by its independent accountants, as stated in their report included elsewhere in this offering memorandum. Odebrecht Finance’s unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2010 and 2009, which have been subjected to a limited review by its independent accountants, are also included in this offering memorandum.

Rounding

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

Market Share and Other Information

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

In this offering memorandum, all references to:

- “km” are to kilometers; and
- “MW” are to megawatts. Megawatts are units of power with one megawatt being equal to one million watts.

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

EXCHANGE RATES

Until March 14, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market (or the Commercial Market) and the floating rate exchange market (or the Floating Market). On January 25, 1999, the Brazilian government announced the unification of the exchange positions of the Brazilian financial institutions in the Commercial Market and in the Floating Market, leading to a convergence in the pricing and liquidity of both markets. The Commercial Market was reserved primarily for foreign trade transactions and transactions that generally required prior approval from Brazilian monetary authorities, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad (including the payment of principal of and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and duly registered with the Central Bank). The Floating Market rate generally applied to specific transactions for which Central Bank approval was not required. Both the Commercial Market rate and the Floating Market rate were reported by the Central Bank on a daily basis.

Since then, the CMN has introduced several changes in the Brazilian foreign exchange regime, including: (1) unification of the Commercial Market and the Floating Market; (2) relaxation of rules for the acquisition of foreign currency by Brazilian residents; (3) extension of the period for reporting proceeds derived from Brazilian exports to the Central Bank; (4) permission for exporters to retain their proceeds from exports outside Brazil; and (5) authorization to receive export proceeds in any currency (including *reais*), regardless of the specific currency registered with the Central Bank, among others.

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

	<u>Year-end</u>	<u>Average for Year</u>	<u>Low</u>	<u>High</u>
	<i>(reais per U.S. dollar)</i>			
Year ended December 31,				
2005	2.341	2.434	2.163	2.762
2006	2.138	2.177	2.059	2.371
2007	1.771	1.948	1.733	2.156
2008	2.337	1.837	1.559	2.500
2009	1.741	1.994	1.702	2.421

Source: Central Bank

	<u>Period-end</u>	<u>Low</u>	<u>High</u>
	<i>(reais per U.S. dollar)</i>		
Month			
January 2010	1.875	1.723	1.875
February 2010	1.811	1.805	1.877
March 2010	1.781	1.764	1.823
April 2010	1.732	1.732	1.780
May 2010	1.817	1.732	1.881
June 2010	1.802	1.766	1.866
July 2010	1.757	1.753	1.801
August 2010	1.759	1.478	1.773

Source: Central Bank

On March 24, 2010, the CMN and the Central Bank approved Resolution No 3844, adopting a series of measures to consolidate and simplify the acts and proceedings applicable to the foreign exchange market regulations in Brazil. As a result, several normative acts, comprising regulations, circulars and circular-letters, were revoked. These changes are expected to reduce the effective cost of foreign exchange transactions and the related administrative expenses for both the public and private sectors as well as to provide more legal security to the parties to such transactions.

As of the date of this offering memorandum, all financial transfers from Brazil to other countries and from abroad to Brazil, either in Brazilian currency or in any foreign currency, related to foreign capital flows governed by

CMN Resolution 3844, will have to follow the general rules applicable to the Brazilian foreign exchange market, such as complying with all laws, be supported by proper documentation and have a reasonable economic justification.

SUMMARY

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

Overview

We are the largest engineering and construction company in Latin America as measured by 2009 gross revenues, according to ENR. We engage in the construction of large-scale infrastructure and other projects, including the construction of highways, railways, power plants, bridges, tunnels, subways, buildings, port facilities, dams, manufacturing and processing plants, as well as mining and industrial facilities. We provide a variety of integrated engineering, procurement and construction services to clients in a broad range of industries, both within Brazil and internationally. These capabilities enable us to provide clients, individually or as part of a consortium, with single-source, turnkey project responsibility for complex construction projects. We concentrate our construction activities on infrastructure projects in Brazil and in several international markets, principally in Latin America and Africa, which include projects sponsored by the public and private-sectors, as well as concession-based projects.

We undertake projects throughout Brazil, in other Latin American countries (including mainly Venezuela, Peru, Argentina, Panama, Colombia and the Dominican Republic), the United States, Portugal and certain countries in Africa (mainly Angola). We have participated in the construction of over 187 km of bridges, over 52,750 MW of hydroelectric power plants, over 290 km of tunnels, over 11,550 km of roads and over 147 km of subway lines. We reported gross service revenues of R\$7,254.0 million (U.S.\$4,026.7 million) in the six-month period ended June 30, 2010 and R\$18,720.5 million (U.S.\$10,391.6 million) in the year ended December 31, 2009. We reported EBITDA of R\$763.8 million (U.S.\$424.0 million) in the six-month period ended June 30, 2010 and R\$1,771.8 million (U.S.\$983.5 million) in the year ended December 31, 2009.

We believe we are:

- Brazil’s largest exporter of services with R\$13,036.4 million (U.S.\$7,236.4 million), or 69.6% of our gross service revenues in 2009, coming from outside Brazil;
- The largest contractor in Latin America and the fourth largest in Africa, according to ENR, as measured by gross revenues in each region in 2009;
- The world’s 15th largest International Contractor, according to ENR, as measured by “gross revenues outside the home country” in 2009;
- The world’s 29th largest Global Contractor, according to ENR, as measured by our gross revenues in 2009; and
- The world’s fourth largest international builder in the Water segment in 2009 and ninth largest international builder in the Sewer/Waste segment.

Our Competitive Strengths

We believe that our main competitive strengths include the following:

Leadership Position

We are Latin America’s largest engineering and construction company as measured by our gross revenues in 2009, according to ENR. Our geographic diversification, extensive operations and leading market share in Brazil

enable us to capitalize on additional business opportunities as they arise. We are owned by the Odebrecht Group, which is the fifth largest Brazilian-owned private sector conglomerate based on sales in 2009. The Odebrecht Group is also the controlling shareholder of Braskem S.A., or Braskem, the largest petrochemical company in Latin America, based on average annual production capacity in 2009, and the fourth largest Brazilian-owned private sector industrial companies based on sales in 2009.

Financial Strength

We believe that our financial performance has been consistent, enabling us to rely primarily on our cash flow from operations to grow our business. Our EBITDA margins (which we define as EBITDA as a percentage of our net service revenues) for the six-month period ended June 30, 2010, 2009, 2008 and 2007 were 10.8%, 9.7%, 14.0% and 10.3%, respectively. Our cash and cash equivalents and financial investments totaled R\$2,513.9 million (U.S.\$1,395.4 million) and R\$3,135.0 million (U.S.\$1,740.2 million) as of June 30, 2010 and as of December 31, 2009, respectively. We are focused on maintaining the relatively strong financial position and liquidity we have as compared to many of our competitors.

Diversification

We have expanded our business internationally in order to broaden our client base and diversify the risks inherent in an excessive reliance on the Brazilian market, as well as to increase the share of our revenues denominated in dollars and other currencies. As of June 30, 2010, we had 157 ongoing projects: Brazil (70); Angola (33); Venezuela (12); Peru (10); Panama (8); the Dominican Republic (5); the United States (5); Portugal (3); Argentina (3); Libya (2); Mozambique (2); Colombia (2); and other (2).

The percentage of our gross service revenues derived from international projects increased from approximately 30% in 1992 to 57.9% in the six-month period ended June 30, 2010. We believe our diversification provides us with revenue growth opportunities, while reducing our exposure to one single market and related risks including political risks.

Strong and Diversified Backlog

We define backlog to include payments under contracts that we have signed for a particular project and for which an identified source of funding exists, but have not been recognized as revenue by us. As of June 30, 2010, (1) our backlog represented U.S.\$21,519.6 million, or more than two years of future services based on our performance of 2009 and (2) we expect to complete approximately 20% of our total backlog by the end of 2010. Our backlog includes a diversified portfolio of engineering and construction projects in various infrastructure sectors and different types of construction undertakings in numerous countries.

Described below are certain new contracts entered into and amendments to existing contracts during the six-month period ended June 30, 2010 (totaling U.S.\$4,633.3 million in Brazil and U.S.\$1,403.8 million in "Other Countries"):

- In Brazil:
 - Submarine Project – (U.S.\$2,303.8 million);
 - Renest Refinery for Petróleo Brasileiro S.A., or Petrobras – (U.S.\$853.6 million);
 - Brenco/ETH Plant – (U.S.\$650.0 million).
 - Pier IV for Vale S.A., or Vale – (U.S.\$135.3 million); and
 - Aquapolo Project – (U.S.\$130.1 million).

- In Other Countries:
 - YPF/Repsol Refinery, Argentina – (U.S.\$261,0 million)
 - Addition to Maden-Colón Road, Panamá – (U.S.\$185.6 million); and
 - Hurricane Flood Protection Levee in New Orleans, USA – (U.S.\$104.5 million).

Experienced and Professional Management Team with Strong Entrepreneurial Culture

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

Our Strategy

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

Managing Political Risk

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

- In countries in which we operate with significant political risk concerns, such as certain Latin American countries and Angola, we usually bid on and perform projects that are funded under Brazilian trade credit or multilateral agency credit facilities. The Brazilian government offers export financing for construction and engineering services related to projects undertaken in many of these countries, which we rely upon as an important source of funding for our projects located in these countries, together with support from multilateral financial institutions, including Corporación Andina de Fomento, or CAF, and the Inter-American Development Bank, or IDB. Our management believes that the higher margins we are able to earn from projects in these countries compensate us for the political risks that we are subject to as a result.
- We attempt to mitigate political risk through our experience and knowledge of the markets in which we are active and by entering into joint ventures with local companies and using local subcontractors, suppliers and labor. By establishing these partnerships with local entities, we also seek to integrate our operations into the communities in which we operate.
- We generally seek to establish long-term operations in countries in which we are active and seek appropriate project opportunities that meet our rigorous risk management criteria. Our long presence in countries such as Peru (31 years), Angola (26 years), and Venezuela (17 years), including during periods of social unrest or war, and our involvement in high visibility projects that are important to a country’s economy and development, have earned us goodwill with the governments of these countries. Accordingly, while other construction companies generally avoid operating in certain of the countries in which we are active, our management believes that our extensive experience in these countries, our diversification and our extensive contract risk assessment and risk sharing with other

project participants allow us to effectively manage the political risks presented by construction projects in these countries. In addition, to help cover certain risks, we have a comprehensive portfolio of insurance policies. As of June 30, 2010, our insurance coverage, which protects us against risks, such as engineering risk, operational risk and civil liability, totaled U.S.\$34,806.8 million, compared to U.S.\$35,172.5 million as of December 31, 2009. As of June 30, 2010, our surety bond coverage, which ensures execution and performance of construction works, amounted to U.S.\$6,016.2 million, compared to U.S.\$7,422.9 million as of December 31, 2009.

- We seek to obtain approximately 10% to 15% down payment on the execution date of project contracts with customers outside of Brazil. As of June 30, 2010, we had R\$1,459.2 million in short-term advances from customers and R\$3,805.9 million in long-term advances from customers.
- Our strategy involves concentrating our business into more profitable markets and projects. When our management no longer believes that a particular market continues to meet our long-term objectives, we act to close or phase out our operations in these markets. In the 1990s, for example, we closed offices in the United Kingdom, Germany and South Africa.

Enhancing Human Resources

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

Pursuing International Opportunities

We are the market leader for engineering and construction projects in Brazil, Angola and certain other countries in Latin America and will continue to pursue business opportunities and strategic alliances in selected projects that will improve our market share and competitiveness. We intend to leverage our experience to broaden our presence in selective international markets and to pursue and develop growth opportunities in these markets. Considering our operations in Angola and more recently in Mozambique and Libya, there is a possibility that we might seek to further increase our operations in Africa.

Focusing on Complex Large-Scale Construction Opportunities and Concession Projects

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

Offering Our Customers Differentiated Services

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

Company History

We were founded in 1944 and commenced our operations in the northeastern region of Brazil, where we were active in the construction of industrial plants, warehouses, small dams, highways, buildings and canals. In 1970, we began to expand our operations into southern Brazil, concentrating initially in Rio de Janeiro with the construction of the headquarters of Petrobras in 1970; Brazil's first nuclear power plant, the Central Nuclear de Angra dos Reis in 1971; the Rio de Janeiro international airport in 1971; and the Rio de Janeiro State University in 1972. In Peru, we won the contract for the construction of the Charcani Hydroelectric Plant in 1979. In the early 1980s, we began to expand our work to projects located outside Brazil. In 1984, we began the construction of the Capanda Hydroelectric Project on Angola's Kwanza river, and in 1991 we started the construction of the southern extension of the Metromover, part of Miami's urban mass transportation system. In 1996, the Odebrecht Group reorganized its holdings into two principal business areas: (1) engineering and construction through our company; and (2) chemicals and petrochemicals through Braskem. In 2004, we began operations in the Middle East, completing two projects in Iraq with the United States Army Corps of Engineers with a total cost of U.S.\$86 million. We are not currently operating in Iraq. In 2007, we began operations in Libya, constructing the Tripoli Airport and the 3rd Ring Road. In 2008, we began operations in Mozambique, developing the infrastructure logistics of a coal mine for Vale. In 2009, we re-entered Colombia through the Ruta del Sol project, the expansion and maintenance of a road that connects central Colombia to the Cartagena port region.

Corporate Reorganization

As a measure of our management's determination to continue to focus our business on providing engineering and construction services, in 2004, we commenced a corporate reorganization, or the Corporate Reorganization, which involved, among other actions, the transfer of certain assets and equity interests in our infrastructure, oil and gas and real estate businesses to subsidiaries of Odebrecht at the end of October 2007. As part of the Corporate Reorganization, the following two Brazilian limited liability companies commenced operations as subsidiaries of Odebrecht:

- Odebrecht Óleo e Gas S.A., or OOG, which focuses on the oil and gas industry; and
- Odebrecht Empreendimentos Imobiliários S.A., or OEI, which focuses on the real estate sector. In May 2009 OEI changed its name to Odebrecht Realizações Imobiliárias S.A., or OR. In May 2010, an investment fund managed by Gávea Investimentos acquired a 14.5% equity interest in OR.

In July 2007, Odebrecht formed ETH Bioenergia S.A., which focuses on sugar and ethanol production in Brazil. In February 2010, ETH Bioenergia S.A. merged into Brenco Holding S.A., a Brazilian sugar and ethanol company, and the merged entity was named ETH Bio Participações S.A., or ETH. Odebrecht owns, indirectly through ETH Investimentos S.A., approximately 49.67% of the capital stock of ETH while the remaining capital stock of ETH is owned by Sojitz Corporation, a Japanese conglomerate, BNDES Participações S.A. - BNDESPAR, and other private equity funds.

In addition, in June 2008, Odebrecht incorporated Odebrecht Engenharia Ambiental S.A., or OEA, a company focused on the environmental sector. In August 2009, OEA changed its name to Foz do Brasil S.A., or Foz do Brasil. In October 2009, FGTS Infrastructure Investment Fund (FI-FGTS) acquired 26.53% of the equity interest of Foz do Brasil by fully subscribing to an issuance of its shares for R\$650.0 million.

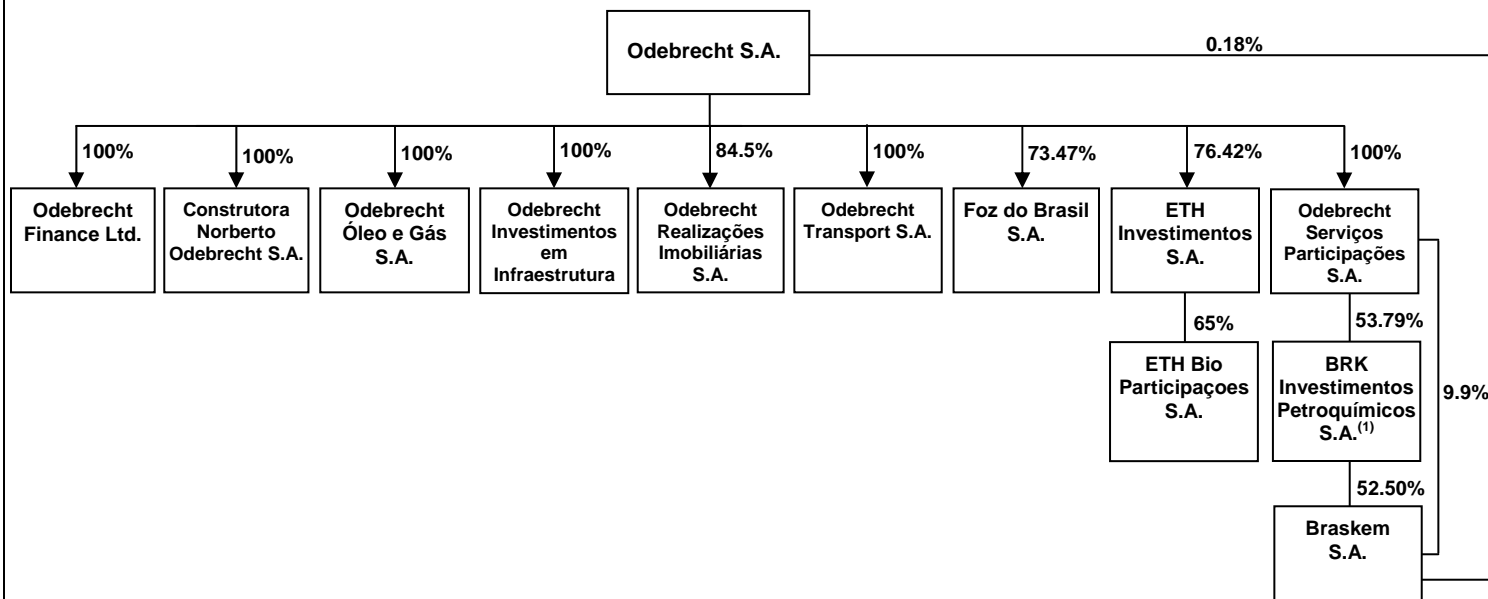
In November 2008, Odebrecht Participações S.A., or ODBPAR, merged into CNO and, as a result of this merger, our capital stock increased by R\$64.9 million. Through this merger, Odebrecht became our sole shareholder.

In December 2008, all equity interests held by Odebrecht Investimentos em Infraestrutura, or OII, in companies operating in the environmental sector (including water, sewage and sanitation services) were transferred to OEA.

On December 31, 2008, at an extraordinary shareholders' meeting, our shareholders approved an increase in our capital stock in the aggregate amount of R\$151.5 million pursuant to an issuance of 10,816,218 and 7,868,900 of our common and preferred shares, respectively, to ODB in exchange for its transfer of 20,685,872 of preferred shares of Braskem. This amount was equivalent to the book value of these shares as of the date of their transfer.

In 2010, Odebrecht Transport S.A., or OTP, was formed to focus on the transportation and logistics sector.

The following chart presents the issuer's current ownership structure, our current ownership structure and Odebrecht's ownership interest (excluding qualifying director shares) in OOG, OII, OR, OTP, Foz do Brasil, ETH and Braskem as of June 30, 2010. The percentages represent the percentage of the total share capital owned by each such shareholder.



(1) While BRK Investimentos Petroquímicos S.A. owns 52.5% of Braskem's outstanding share capital it owns 93.1% of its voting capital.

Principal Shareholders

CNO

As of June 30, 2010, the aggregate amount of our issued and outstanding capital stock was R\$1,113.1 million represented by 163,298,200 common shares and 118,800,974 preferred shares.

As a result of the merger of ODBPAR into our company, 100% of our share capital is owned by Odebrecht, which in turn, is controlled by ODBINV S.A. ODBINV S.A. is a Brazilian corporation that is controlled by Kieppe Participações e Administração Ltda. (which owns 63.9% of the total and voting capital of ODBINV S.A.). Kieppe Participações e Administração Ltda. is a Brazilian limited liability company that is wholly-owned by the Odebrecht family. Certain shareholders and officers of Odebrecht own the remaining capital of ODBINV S.A. that is not owned by the Odebrecht family.

Odebrecht Finance Ltd.

Odebrecht Finance, a wholly-owned subsidiary of Odebrecht, is an exempted company which was incorporated with limited liability on January 30, 2007 under the laws of the Cayman Islands. Its registered office is located at Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands. See "The Issuer."

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

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

THE OFFERING

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

Issuer	Odebrecht Finance Ltd.
Guarantor	Construtora Norberto Odebrecht S.A.
Notes offered	U.S.\$500,000,000 aggregate principal amount of 7.50% perpetual notes.
Guaranty	We will unconditionally and irrevocably guarantee all of the issuer’s obligations pursuant to the notes.
Ranking	The notes will be unsecured, unsubordinated obligations of the issuer. We will unconditionally and irrevocably guarantee the notes on an unsecured basis. The guaranty will rank equally in right of payment with our unsecured and unsubordinated indebtedness. The guaranty will be effectively junior to our secured indebtedness and the indebtedness of any of our subsidiaries. As of June 30, 2010, we had total consolidated indebtedness outstanding of R\$2,279.1 million, of which R\$303.1 million was secured, and R\$1,976.0 million was unsecured.
Issue price	100%.
Issue date	September 14, 2010.
Maturity	The notes are perpetual notes with no fixed final maturity date and no sinking fund provisions.
Interest	Interest on the notes will accrue at a rate of 7.50% per annum. The issuer will pay interest on the notes quarterly in arrears on March 14, June 14, September 14 and December 14 of each year, commencing on December 14, 2010.
Additional amounts	The issuer or CNO, as the case may be, will pay additional amounts in respect of certain withholding taxes imposed on payments of interest or principal so that the amount you receive under the notes or the guaranty, after such withholding taxes, if any, will equal the amount that you would have received if no such withholding taxes had been applicable, subject to some exceptions as described under “Terms and Conditions—Covenants—Additional Amounts.”
Optional redemption	The notes may at the issuer’s option be redeemed, in whole or in part, at 100% of their principal amount plus accrued interest and additional amounts, if any, on any date on or after September 14, 2015; provided, however, that if the notes are redeemed in part, at least U.S.\$100,000,000 in aggregate principal amount of the notes must remain outstanding following any partial redemption.
Tax redemption	If due to changes in law relating to taxes applicable to (1) payment of interest or principal under the notes, such payments become subject to withholding or deductions of taxes by the relevant tax authority or (2) payments under the guaranty, such payments become subject to withholding or deductions of taxes by the relevant tax authority at a rate in excess of the additional amounts that we would pay if such payments were subject to withholding or deduction at a rate of 15.0% or at a rate of 25.0% (in case the holder of the notes is resident in a tax haven jurisdiction), the issuer may redeem the outstanding notes in whole

but not in part at 100% of the principal amount thereof, plus accrued interest to the redemption date. See “Terms and Conditions—Redemption and Repurchase—Optional Tax Redemption.”

Delivery	The notes will be delivered on or about September 14, 2010, as described below.
Indenture.....	The notes will be issued under an indenture among the issuer, CNO, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon Trust (Japan), Ltd., as principal paying agent.
Clearance and settlement	The notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear Bank S.A./N.V., as the operator of the Euroclear System, and Clearstream Banking and will trade in DTC’s same day funds settlement system. Beneficial interests in notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see “Terms and Conditions.”
Form and denomination.....	Any notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act will be in fully registered form without interest coupons attached only in denominations of U.S.\$100,000 and in integral multiples of U.S.\$1,000 in excess thereof. Any notes sold pursuant to Rule 144A under the Securities Act will be issued in fully registered form in denominations of U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof.
Certain covenants	The terms of the notes will limit our ability and the ability of our subsidiaries to create liens and will allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another person only if it complies with certain requirements. However, these limitations are subject to a number of important exceptions. See “Terms and Conditions—Covenants” and “Risk Factors—Risks Relating to the Notes and Guarantee.”
Use of proceeds	We will use (1) U.S.\$200.0 million of the net proceeds of this offering to enable Odebrecht Overseas Limited, or OOL, our indirect wholly-owned subsidiary, to redeem the aggregate outstanding principal amount of its U.S.\$200.0 million 9.625% perpetual notes that are also guaranteed by us in December 2010 and (2) the remainder of the net proceeds of this offering will be used to prepay a portion of our short- and long-term indebtedness. See “Use of Proceeds.”
Transfer restrictions.....	The notes have not been registered under the Securities Act and are subject to certain restrictions on transfer. See “Transfer Restrictions.”
Trustee	The Bank of New York Mellon.
Principal paying agent	The Bank of New York Mellon Trust (Japan), Ltd.
Luxembourg listing agent.....	The Bank of New York Mellon (Luxembourg) S.A.
Luxembourg paying and transfer agent.....	The Bank of New York Mellon (Luxembourg) S.A.
Listing and trading.....	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF market of the Luxembourg Stock Exchange.

If the listing of the notes on the Luxembourg Stock Exchange would, in the future, require us to publish financial information either more regularly than we otherwise would be required to, or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may seek an alternative admission to listing, trading and/or quotation for the notes by another listing authority, stock exchange and/or quotation system.

Governing law	The indenture, the notes and the guaranty will be governed by the laws of the State of New York.
Selling restrictions	There are restrictions on persons to whom notes can be sold, and on the distribution of this offering memorandum, as described in “Plan of Distribution.”
Risk factors	Prospective investors should carefully consider all of the information contained in this offering memorandum prior to investing in the notes. In particular, we urge prospective investors to carefully consider the information set forth under “Risk Factors” for a discussion of risks and uncertainties relating to us, our subsidiaries, our business, our equity holders and an investment in the notes.

SUMMARY FINANCIAL AND OTHER INFORMATION OF CNO

The following summary financial data has been extracted without material adjustment from our consolidated financial statements.

Our summary financial data as of and for the years ended December 31, 2009, 2008 and 2007 have been extracted without material adjustments from our audited consolidated financial statements included elsewhere in this offering memorandum. The summary financial data as of and for the six-month periods ended June 30, 2010 and 2009 have been extracted without material adjustments from our unaudited consolidated interim financial information included elsewhere in this offering memorandum. Our results for the six-month period ended June 30, 2010 are not necessarily indicative of the results expected for the entire year ending 2010. The summary financial data as of and for the year ended December 31, 2007 has been amended and restated to reflect changes in the Brazilian Corporate Law. Our consolidated financial statements are prepared in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP.

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

This summary financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited and unaudited consolidated financial statements included elsewhere in this offering memorandum.

	As of and for the six-month periods ended June 30,			As of and for the years ended December 31,			
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007 (restated)
	<i>(in U.S.\$)</i>	<i>(in reais)</i>		<i>(in U.S.\$)</i>		<i>(in reais)</i>	
	<i>(amounts expressed in millions, except financial ratios)</i>						
INCOME STATEMENT DATA							
Net service revenues.....	3,922.8	7,066.8	8,979.7	10,161.2	18,305.5	16,574.6	8,563.5
Gross profit.....	688.9	1,240.9	991.3	1,253.8	2,258.8	2,712.4	1,356.6
Net income	153.1	275.8	617.4	546.2	984.0	589.0	434.2
BALANCE SHEET DATA							
Assets							
Cash and cash equivalents.....	1,313.3	2,365.9	2,012.2	1,663.2	2,996.2	2,270.4	1,117.0
Financial investments.....	82.2	148.0	201.7	77.0	138.8	176.0	339.9
Trade accounts receivable.....	3,036.3	5,469.9	4,548.0	2,426.9	4,372.0	4,121.8	2,236.3
Permanent assets	1,528.2	2,753.1	2,882.4	1,479.3	2,664.8	2,921.4	2,144.7
Total assets	8,331.7	15,009.5	14,191.5	7,960.5	14,340.8	14,352.7	8,044.7
Current Liabilities							
Debts.....	366.0	659.3	736.9	357.9	644.8	872.7	431.8
Suppliers and subcontractors	930.4	1,676.2	1,352.6	985.7	1,775.7	1,597.5	1,036.6
Advances from customers	810.0	1,459.2	2,492.1	1,070.3	1,928.2	2,300.1	1,251.6
Other accounts payable.....	82.4	148.4	328.6	230.4	415.0	515.6	180.6
Long-term Liabilities							
Debts.....	899.1	1,619.8	1,431.7	930.7	1,676.7	1,702.2	669.3
Suppliers and subcontractors	50.2	90.4	120.5	64.5	116.2	85.7	55.9
Advances from customers	2,112.6	3,805.9	2,737.9	1,438.4	2,591.2	2,706.0	1,596.0
Stockholders’ equity							
Capital	617.9	1,113.1	1,378.4	765.1	1,378.4	1,378.4	1,165.6
Revenue reserves.....	924.8	1,666.0	850.2	924.8	1,666.0	850.2	535.4
Equity evaluation adjustments	(77.3)	(139.3)	58.1	(49.8)	(89.8)	281.6	-
Retained earnings (loss)	153.1	275.8	617.4	-	-	-	(19.6)
Total liabilities and stockholders’ equity.....	8,331.7	15,009.5	14,191.5	7,960.5	14,340.8	14,352.7	8,044.7

	As of and for the six-month periods ended June 30,			As of and for the years ended December 31,			
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007 (restated)
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)	
	(amounts expressed in millions, except financial ratios)						
OTHER DATA (unaudited)							
Gross margin ⁽²⁾	17.6%	17.6%	11.0%	12.3%	12.3%	16.4%	15.8%
EBITDA ⁽³⁾	424.0	763.8	665.4	983.5	1,771.8	2,313.6	880.8
EBITDA margin ⁽⁴⁾⁽⁷⁾	10.8%	10.8%	7.4%	9.7%	9.7%	14.0%	10.3%
Net debt/EBITDA ratio ⁽⁵⁾	(0.13)	(0.13)	(0.02)	(0.46)	(0.46)	0.06	(0.40)
Net debt/EBITDA ratio including CNO guaranty of notes ⁽⁶⁾	0.96	0.96	0.47	0.62	0.62	0.46	0.06

- (1) Solely for the convenience of the reader, Brazilian *real* amounts as of and for the periods ended June 30, 2010 and December 31, 2009 have been translated into U.S. dollars at the commercial selling rate at June 30, 2010, of R\$1.8015 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.
- (2) Gross margin represents gross profit divided by net service revenues.
- (3) EBITDA means net service revenues, *minus* cost of services rendered, *minus* general and administrative expenses (including directors' remuneration expense), *plus* any depreciation or amortization included in cost of sales and services rendered or general and administrative expenses, *plus* other operating income. Although EBITDA is not a measurement under Brazilian GAAP, our management believes that EBITDA serves as an important financial analysis tool for measuring our performance in several areas, including liquidity, operating performance and leverage. EBITDA is commonly used by financial analysts in evaluating our business. EBITDA should not be considered in isolation or as a substitute for net income as a measure of performance, cash flow from operating activities or other measures of liquidity determined in accordance with Brazilian GAAP. EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is calculated as follows:

	For the six-month periods ended June 30,			For the years ended December 31,			
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007 (restated)
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)	
	(amounts expressed in millions)						
Net service revenues.....	3,922.8	7,066.8	8,979.7	10,161.2	18,305.5	16,574.6	8,563.5
Cost of services rendered.....	(3,233.9)	(5,825.9)	(7,988.4)	(8,907.4)	(16,046.7)	(13,862.2)	(7,206.9)
General and administrative expenses, including directors' remuneration expense.....	(391.8)	(705.6)	(624.9)	(619.0)	(1,115.1)	(863.3)	(693.3)
Depreciation/amortization.....	126.9	228.5	299.0	348.7	628.1	464.5	217.5
EBITDA.....	424.0	763.8	665.4	983.5	1,771.8	2,313.6	880.8

- (4) EBITDA margin is calculated by dividing EBITDA by our total net service revenues, expressed as a percentage. For the six-month periods ended June 30, 2010 and 2009, we have calculated our EBITDA margin by dividing our EBITDA for the six-month periods ended June 30, 2010 and 2009 by our total services and revenues for the corresponding six-month period.
- (5) Net debt/EBITDA ratio for the years ended December 31, 2009, 2008 and 2007 is calculated by dividing (1) our consolidated net debt as of the end of the year by (2) our consolidated EBITDA for the corresponding year. Net debt/EBITDA ratio for the six-month periods ended June 30, 2010 and 2009 is calculated by dividing (1) our consolidated net debt as of the end of the six-month period by (2) our consolidated EBITDA for the last twelve months prior to the periods ending on June 30, 2010 and 2009. Net debt means total short and long-term debt less cash and cash equivalents, and less financial investments.
- (6) Net debt/EBITDA ratio including CNO's guaranty of notes as of December 31, 2009, 2008 and 2007 is calculated by dividing (1) the sum of (x) our consolidated net debt as of the end of the year and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guarantee: (i) as of December 31, 2007: U.S.\$200.0 million 7.50% notes due 2017; (ii) as of the year ended December 31, 2008: U.S.\$400.0 million 7.50% notes due 2017; (iii) as of the year ended December 31, 2009: (A) U.S.\$400.0 million 7.50% notes due 2017, (B) U.S.\$200.0 million 9.625% notes due 2014 and (C) U.S.\$500.0 million 7.00% notes due 2020; by (2) our consolidated EBITDA for the corresponding year.
Net debt/EBITDA ratio including CNO's guaranty of notes as of June 30, 2010 and 2009 is calculated by dividing (1) the sum of (x) our consolidated net debt as of the end of the six-month period and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guarantee: (i) as of the six-month period ended June 30, 2009: (A) U.S.\$400.0 million 7.50% notes due 2017, and (B) U.S.\$200.0 million 9.625% notes due 2014; (ii) as of the six-month period ended June 30, 2010: (A) U.S.\$400.0 million 7.50% notes due 2017, (B) U.S.\$200.0 million 9.625% notes due 2014 and (C) U.S.\$500.0 million 7.00% notes due 2020; by (2) our consolidated EBITDA for the corresponding six-month period.
- (7) For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Presentation and Critical Accounting Policies—Revenue Recognition for Construction Contracts." In particular, see the last paragraph of the heading "Revenue Recognition for Construction Contracts" of the section "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RISK FACTORS

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

Risks Relating to the Issuer

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

The issuer's principal business activity is to act as a financing vehicle for Odebrecht's activities and operations. The issuer has no substantial assets, and accordingly, holders of the notes must rely on our cash flow from operations to pay amounts due in connection with the notes. In addition, the issuer has incurred losses in each of the last three years ended December 31, 2009 and will require additional long-term funds to cover its current liabilities. The ability of the issuer to make payments of principal, interest and any other amounts due on the notes is contingent on its receipt from us of amounts sufficient to make these payments, and, in turn, on our ability to make these payments. In the event that we are unable to make such payments for any reason, the issuer will not have sufficient resources to satisfy its obligations under the indenture governing the notes.

Risks Relating to Our Company

International and Political events may adversely affect our operations.

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

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

Many of the countries in which we operate have significant levels of political risk. For example, civil disturbances in Angola periodically interrupted the construction of the Capanda Hydroelectric Project in Angola from September 1992 through the first half of 1998 and again in 1999. In addition, in October 2008, the President of Ecuador ordered the termination of contracts relating to our projects in Ecuador and revoked the visas of certain of our employees, forcing them to leave the country. The contracts in Ecuador represented 1.6% of our gross service revenues in 2008 and 2.5% of our backlog as of December 31, 2008. We do not anticipate participating in additional construction projects in Ecuador in the near future.

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

We contract to provide services principally on a “unit price” basis or on a fixed-price basis, with unit price and fixed-price (or lump sum) contracts together accounting for most of our gross revenues in the six-month periods ended June 30, 2010 and in 2009. With fixed-price contracts, we bear the risk of unanticipated increases in the cost of equipment, materials or manpower due to inflation or unforeseen events, such as difficulties in obtaining adequate financing or required governmental permits or approvals, project modifications resulting in unanticipated costs or delays caused by local weather conditions, other natural phenomena, or suppliers’ or subcontractors’ failure to perform. In addition, we sometimes bear the risk of delays caused by unexpected conditions or events, subject to the protection of standard force majeure provisions and insurance policies contracted for a project. Our failure to estimate accurately the resources and time required to complete a particular fixed-price project, or our inability to complete our contractual obligations (or applicable milestones) within the contracted time frame, could have a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

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

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

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

Our results of operations and financial condition have been, and will continue to be, affected by the rate of depreciation or appreciation of the *real* against the U.S. dollar because our revenues, costs, assets and indebtedness are both in U.S. dollars and *reais*. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, in 2006 and 2007, the *real* appreciated by 8.7% and 17.2%, respectively, against the U.S. dollar, based on a comparison of exchange rates at year end. In 2008, the *real* depreciated by 24.2% against the U.S. dollar and appreciated by 34.2% against the U.S. dollar in 2009. Appreciation of the *real* against the U.S. dollar may lead to the deterioration of Brazil's current account and balance of payments as well as hinder export growth. The depreciation of the *real* relative to the U.S. dollar generally makes it more difficult for Brazilian companies to access foreign financial markets and, despite that our revenues are largely denominated in U.S. dollars, the depreciation of the *real* would make it more costly for us to pay our debts which are largely denominated in U.S. dollars. In addition, such depreciation may prompt government intervention, including recessionary economic policies. Accordingly, any major appreciation or devaluation of the *real* against the U.S. dollar may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

Many of the markets served by us are highly competitive, and most of the projects that we execute require substantial resources, capital investment in equipment and particularly highly skilled and experienced technical personnel. Most of our ongoing construction projects were awarded through competitive bidding processes, and we

face substantial competition for projects. While pricing generally is the most important factor that determines whether we will be awarded a particular contract, other important factors include health, safety and environmental protection records, service quality, technological capacity and performance, as well as reputation, experience, access to funding sources and client relations. Although we are the largest engineering and construction company in Latin America (as measured by our gross revenues in 2009) and the only Brazilian construction company with most of its revenues generated from outside of Brazil, many of our international competitors are larger, have greater technological capacity and may have access to sources of lower-cost funding than us. While these international competitors operate mainly outside Brazil, they can also form partnerships in Brazil with domestic engineering and construction companies and may compete with us in Brazil and abroad. Competition also places downward pressure on our contract prices and profit margins. Given the global recession, intense competition is expected to continue in these markets, presenting us with significant challenges in our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits. This could have a material adverse effect on our business, financial condition and results of operations.

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

Standard & Poor's, or S&P, maintains a rating of our company on a local and a global basis. S&P maintains a long-term rating of our company on a local basis of brAA- with positive outlook. On a global basis, S&P maintains a long-term rating for our company of "BB" with positive outlook. Since July 23, 2007, Fitch has also maintained a rating of our company. Fitch maintains a national rating of AA (bra) of our company with a stable outlook and a global rating of "BB+" with a stable outlook. Since December 10, 2009, Moody's has also maintained a rating of our company. Moody's maintains a national rating of Aa1.br of our company with a stable outlook and a global rating of "Baa3" with a stable outlook. Any decision by S&P, Fitch, Moody's or other rating agencies to downgrade our credit ratings in the future would likely result in increased interest and other financial expenses relating to our future borrowings and issuance of debt securities and could significantly reduce our ability to obtain financing on satisfactory terms or in amounts required by us to maintain adequate liquidity.

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

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

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

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

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

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

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

Our revenue and cash flow are dependent upon large-scale infrastructure projects. The availability of these types of projects is dependent upon the economic condition of the construction, oil and gas and power industries, specifically, the level of capital expenditures by our clients on infrastructure. The recent global recession and related turmoil in the global financial system and in the capital markets may have a material adverse impact on the level of capital expenditures of our clients and/or their ability to finance these expenditures. Our failure to contract for new projects, a delay in award of projects, and the cancellation of already awarded projects or slow-downs in completion of contracts, among other factors, could result in under-utilization of our resources and a reduction in our liquidity, which would have a material adverse impact on our revenues and cash flow. There are numerous factors beyond our control that may influence the level of capital expenditure spending by our clients, including:

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

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

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

Risks Relating to Our Shareholders

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

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

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

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

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

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

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

Risks Relating to Brazil

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

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

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

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

illegal or anti-ethical conduct allegations as well as other future occurrences affecting the Brazilian economy, including elections, may adversely affect us.

In October 2010, presidential elections will take place in Brazil. Even though the Brazilian government has adopted solid economic policies in the last few years, uncertainties in relation to the implementation by the new government of changes relating to economic policies as well as to the relevant legislation may contribute to economic instability. This may increase market volatility of the Brazilian securities issued abroad. It is not possible to predict whether the government elected in 2010 or any succeeding governments will have an adverse effect on the Brazilian economy, and, consequently, on our businesses.

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

Although Brazil is experiencing a positive period in terms of official inflation rates and their convergence with official targets, the Brazilian General Market Price Index – Internal Availability (*Índice Geral de Preços – Disponibilidade Interna*), or IGP-DI, a consumer price and inflation index, decreased by 1.4% in 2009, and some measures taken by the Brazilian government had a significant negative impact on the economy. These measures contributed to economic uncertainty and higher volatility in the Brazilian securities market. The Brazilian government's measures to control inflation have included the maintenance of a restrictive monetary policy and high interest rates, thereby limiting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. For example, the official interest rate in Brazil at the end of 2007, 2008 and 2009 was 11.25%, 13.75% and 8.75%, respectively, as set by the Brazilian Committee on Monetary Policy (*Comitê de Política Monetária*), or COPOM. On June 9, 2010 and on July 21, 2010, COPOM increased the interest rate from 9.50% to 10.25% and from 10.25% to 10.75%, respectively.

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

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

As a result of multiple factors, the Brazilian currency has been depreciated periodically in relation to the U.S. dollar and other foreign currencies during the last four decades. Throughout this period, the Brazilian government has implemented various economic plans and implemented a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. For example, based on a comparison of exchange rates at year end, the *real* depreciated against the U.S. dollar 51.6% in 2002 and 18.6% in 2003. Although the *real* appreciated by 8.1%, 11.8%, 8.7% and 17.2% against the U.S. dollar in 2004, 2005, 2006 and 2007, respectively, the *real* depreciated by 23.5% against the U.S. dollar in 2008. In 2009 the *real* experienced appreciation once again, varying 28.4% from R\$2.337 per U.S.\$1.00 on December 31, 2008 to R\$1.741 per U.S. dollar on December 31, 2009.

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

Changes in Brazilian GAAP in effect as from January 1, 2010 relating to the process of convergence to International Financial Reporting Standards may adversely impact our results of operations.

We prepare our financial statements in accordance with Brazilian GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. As a result, the financial information presented in this offering memorandum may differ significantly from financial statements prepared in accordance with U.S. GAAP, IFRS or the accounting standards of other countries. We have made no attempt to identify or quantify the impact of those differences.

The enactment of Law No. 11,638/07 and Law No. 11,941/09, which amended the Brazilian Corporate Law and changed certain accounting policies under Brazilian GAAP, created conditions for the alignment of Brazilian GAAP and IFRS. For more information about the principal changes introduced by Law No. 11,638/07 and Law No. 11,941/09 as they relate to our financial statements.

Under regulations adopted by the CVM and the Central Bank, we will be required to present consolidated financial statements prepared in accordance with IFRS as of and for the year ending December 31, 2010 with comparative figures for 2009. Changes introduced to Brazilian GAAP as from January 1, 2010 are expected to be significant.

The changes in Brazilian GAAP could have a significant effect on our reported results of operations, including effects on our net income and the measures that our creditors use to monitor our performance under our debt instruments. Any reduction in our net income, as measured under the revisions introduced to Brazilian GAAP under these laws and regulations would have an adverse effect on our net income, and potentially, our ability to distribute dividends on our preferred and common shares. In addition, an adverse effect under the ratios contained in the covenants in our debt instruments, as a result of the change in the way that our operating results are measured under the revisions introduced to Brazilian GAAP, could adversely affect our ability to comply with these covenants, to obtain financing to fund our growth plans or to refinance our indebtedness on terms satisfactory to us.

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

The market price of securities of Brazilian companies is affected to varying degrees by economic and market conditions in other countries, including the United States, Europe and other Latin American and emerging market countries. Although economic conditions in these countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in these other countries may have an adverse effect on the market price of securities of Brazilian issuers, including our notes. Crises in the United States, Europe and emerging market countries or economic policies of other countries may diminish investor's interest in securities of Brazilian issuers, including our notes. This could adversely affect the market price of our notes and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

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

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

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

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

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

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

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

Risks Relating to the Notes and the Guaranty

The notes have no maturity date or sinking fund provisions and are not redeemable at the option of holders of notes.

The notes have no fixed final maturity date or any sinking fund provisions and are not redeemable at the option of holders of notes. As a result, holders of the notes will be entitled to receive a return of the principal amount of their investment only if the issuer elects to redeem or repurchase the notes or in the event of acceleration due to an event of default.

There are no financial covenants in the notes and guarantee.

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

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

The guaranty will be unsecured and will constitute our unsubordinated and unsecured obligation that we have agreed will rank *pari passu* in priority of payment with all our other present and future unsubordinated and unsecured obligations. Although the guaranty will provide noteholders with a direct, but unsecured, claim on our assets and property, the guaranty will be effectively junior to our secured debt, to the extent of the assets and property securing such debt. As of June 30, 2010, we had total consolidated indebtedness outstanding of R\$2,279.1 million, of which R\$303.1 million was secured, and R\$1,976.0 million was unsecured. The guaranty will also be junior to the indebtedness of any of our subsidiaries.

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

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

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

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

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

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

The notes constitute an issue of securities for which there is no active trading market. We cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Brazil and the market for similar securities. The initial purchasers of this offering have advised us that they currently intend to make a market in the notes. However, the initial purchasers are not obligated to do so, and any market making with the respect to the notes may be discontinued at any time without notice.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act or the securities laws of any U.S. state or any other jurisdiction, and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See “Transfer Restrictions.” In addition, we have not authorized any offer of notes to the public in the United Kingdom within the meaning of the Regulations. Accordingly, the notes may not lawfully be offered or sold to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not and will not result in an offer to the public in the United Kingdom within the meaning of the Financial Services and Markets 2000, or FSMA.

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

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

The treatment of the notes for U.S. federal income tax purposes is uncertain and the notes may be treated as an equity interest in a partnership or a passive foreign investment company.

The U.S. tax characterization of the notes is not certain. The issuer believes that the notes would be characterized for U.S. federal income tax purposes as either: (1) equity in a partnership; or (2) equity in a passive foreign investment company. The characterization of the notes under the two alternatives is materially different. See “Certain U.S. Federal Income Tax Considerations.”

USE OF PROCEEDS

The net proceeds from the issue and sale of the notes are estimated to be approximately U.S.\$ million, after deducting certain expenses and commissions to be paid to the initial purchasers in connection with the offering. We will use (1) U.S.\$200.0 million of the net proceeds of this offering to enable OOL, our indirect wholly-owned subsidiary, to redeem the aggregate outstanding principal amount of its U.S.\$200.0 million 9.625% perpetual notes that are also guaranteed by us in December 2010 and (2) the remainder of the net proceeds of this offering will be used to prepay a portion of our short- and long-term indebtedness. The perpetual notes may be redeemed, in whole but not in part, by OOL at 100% of their principal amount plus accrued interest on any interest payment date on or after September 22, 2010. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Perpetual Notes.”

CAPITALIZATION

Odebrecht Finance Ltd.

The issuer was established on January 30, 2007, with minimal share capital. The issuer issued an aggregate amount of U.S.\$1,100.0 million notes, being (1) U.S.\$400.0 million due 2017 bearing interest of 7.50% per year, or the 2017 notes, in separate and equal issuances on October 18, 2007 and April 14, 2008, (2) U.S.\$200.0 million due 2014 bearing interest of 9.625% per year, or the 2014 notes, issued on April 2, 2009 and (3) U.S.\$500.0 million due 2020 bearing interest of 7.00%, or the 2020 notes, issued on October 21, 2009. The notes in this offering (as well as the 2017, 2014 and 2020 notes) are guaranteed by us. After giving pro forma effect to the offering of the notes, substantially all of the issuer's capitalization will be in the form of long-term indebtedness, in an aggregate amount equivalent to the aggregate gross proceeds of this offering, the offerings of the 2017 notes, the 2014 notes and the 2020 notes.

Construtora Norberto Odebrecht S.A.

Because the issuer is not our subsidiary but is a subsidiary of Odebrecht, the proceeds of this offering will not affect our capitalization. Accordingly, we have not included a column that sets forth our capitalization on an adjusted basis to give effect to the issuance of the notes pursuant to this offering. However, the issuer will rely on our cash flow from operations to pay amounts due in connection with the notes, and our guaranty of the notes (and any other indebtedness) will be included in any calculation of our indebtedness under the terms and conditions of the notes. The following table sets forth our consolidated debt and capitalization at June 30, 2010 on an actual basis, extracted without material adjustments from our unaudited consolidated financial statements as of June 30, 2010, prepared in accordance with Brazilian GAAP:

	As of June 30, 2010	
	Actual	
	<i>(in millions of reais)</i>	<i>(in millions of U.S.\$) ⁽¹⁾</i>
Short-term debt ⁽²⁾	R\$659.3	U.S.\$366.0
Long-term debt ⁽³⁾	1,619.8	899.1
Taxes payable in installments (REFIS) ⁽⁴⁾⁽⁵⁾	195.4	108.5
Total shareholders' equity	2,915.6	1,618.5
Total capitalization ⁽⁶⁾	4,535.4	2,517.6

- (1) Translated for convenience only using the commercial selling rate as reported by the Central Bank as of June 30, 2010 for *reais* into U.S. dollars of R\$1.8015 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Presentation of Financial and Other Information" and "Exchange Rates."
- (2) Includes current portion of long-term debt.
- (3) Excludes current portion of long-term debt but includes related party liabilities.
- (4) In November 2009, we joined the Tax Amnesty and Refinancing Program (*Programa de Recuperação Fiscal*), or REFIS, a Brazilian government program which offers discounts on the payment of federal tax debts and penalties owed to the Brazilian revenue service (*Receita Federal do Brasil*), or RFB. The total aggregate amount due to RFB was R\$192.9 million as of December 31, 2009, of which the outstanding unpaid amounts in the Exceptional Installment Program (PAEX) (the installment program, created by Provisional Measure No. 303 on June 29, 2006, for, among other things, the repayment of unpaid taxes due to the Contribution for Social Security Financing (*Contribuição para o Financiamento da Seguridade Social*) and Social Integration Program (*Programa de Integração Social*) (COFINS/PIS)) are payable over a period 65 monthly installments and the remaining unpaid amount owed to RFB is payable over a period of 189 monthly installments.
- (5) Includes current portion of taxes payable in installments.
- (6) Total capitalization corresponds to the sum of long-term debt and shareholders' equity.

Except as set forth above, there has been no material change in our capitalization since June 30, 2010.

SELECTED FINANCIAL AND OTHER INFORMATION OF CNO

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

Our selected financial data as of and for the years ended December 31, 2009, 2008 and 2007 have been extracted without material adjustments from our audited consolidated financial statements included elsewhere in this offering memorandum. Selected financial data as of and for the six-month periods ended June 30, 2010 and 2009 have been extracted without material adjustments from our unaudited consolidated interim financial information included elsewhere in this offering memorandum. Selected financial data as of and for the years ended December 31, 2007 have been amended and restated to reflect changes in the Brazilian Corporate Law. Our results for the six-month period ended June 30, 2010 are not necessarily indicative of the results expected for the entire year ending 2010.

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

This selected financial data also contains unaudited data in the section “Other Data.”

This selected financial information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements included elsewhere in this offering memorandum.

	For the six-month periods ended			For the years ended December 31,			
	June 30,						
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)	(restated)
	<i>(amounts expressed in millions, except financial ratios)</i>						
STATEMENT OF INCOME							
Gross service revenues							
Domestic market.....	1,694.5	3,052.6	2,443.0	3,155.2	5,684.1	4,007.7	2,705.0
Foreign market.....	2,332.2	4,201.4	6,712.4	7,236.4	13,036.4	12,917.7	6,063.8
	4,026.7	7,254.0	9,155.4	10,391.6	18,720.5	16,925.4	8,768.8
Taxes and contributions on services	(103.9)	(187.2)	(175.7)	(230.4)	(415.0)	(350.8)	(205.3)
Net service revenues.....	3,922.8	7,066.8	8,979.7	10,161.2	18,305.5	16,574.6	8,563.5
Cost of services rendered	(3,233.9)	(5,825.9)	(7,988.4)	(8,907.4)	(16,046.7)	(13,862.2)	(7,206.9)
Gross profit.....	688.9	1,240.9	991.3	1,253.8	2,258.8	2,712.4	1,356.6
Operating expenses	(391.8)	(705.6)	(624.9)	(619.0)	(1,115.1)	(863.3)	(693.3)
General and administrative expense	(387.6)	(698.3)	(618.2)	(612.2)	(1,102.8)	(849.9)	(680.8)
Directors' remuneration expense.....	(4.2)	(7.3)	(6.7)	(6.8)	(12.3)	(13.4)	(12.5)
Operating profit before the equity interests and financial results	297.1	535.3	366.4	634.8	1,143.7	1,849.1	663.3
Results from investments in associated companies							
Equity in the results	98.7	177.8	178.6	82.7	149.0	(293.1)	8.1
Provision for losses on investments	–	–	–	–	–	(2.3)	(0.8)
Amortization of goodwill	–	–	–	–	–	(2.5)	(1.1)
Dividends received	8.4	15.1	11.5	13.8	24.9	5.2	–
Other equity results.....	–	–	–	1.7	3.0	42.5	–
Financial result, net							
Net financial result.....	(181.3)	(326.7)	434.9	232.4	418.6	(663.4)	104.6
Operating profit before other income (expenses), net	222.9	401.5	991.4	965.5	1,739.2	935.5	774.1
Other income (expenses), net	(11.7)	(21.0)	(50.0)	(69.6)	(125.3)	(234.8)	25.2
Income before social contribution, income tax, management profit sharing and minority interest	211.2	380.5	941.4	895.9	1,613.9	700.7	799.3
Social contribution.....	(3.7)	(6.7)	(30.5)	(30.3)	(54.4)	39.8	(58.4)
Income tax.....	(50.6)	(91.1)	(289.2)	(311.5)	(561.2)	(148.7)	(266.2)
Income before management profit sharing and minority interest	156.9	282.7	621.7	554.1	998.3	591.8	474.7
Management profit sharing.....	–	–	–	(6.9)	(12.5)	(12.5)	(12.5)
Minority interest	(3.8)	(6.9)	(4.3)	(1.0)	(1.8)	9.7	(28.0)
Net income	153.1	275.8	617.4	546.2	984.0	589.0	434.2

	As of June 30,			As of December 31,			
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)	(restated)
BALANCE SHEET DATA							
Assets							
Current Assets							
Cash and cash equivalents	1,313.3	2,365.9	2,012.2	1,663.2	2,996.2	2,270.4	1,117.0
Financial investments	77.4	139.4	197.7	74.8	134.8	172.0	274.6
Trade accounts receivable.....	2,531.6	4,560.6	3,470.7	2,026.0	3,649.8	2,857.8	1,509.5
Advances to suppliers, subcontractors and others.....	341.3	614.9	604.1	234.8	423.0	708.2	408.5
Deferred income tax and social contribution	28.4	51.2	61.2	28.8	51.8	52.1	28.8
Taxes recoverable	155.1	279.5	458.3	227.5	409.8	480.8	215.6
Inventories.....	338.9	610.6	968.1	444.5	800.7	1,121.4	529.4
Current accounts with consortium members	156.0	281.0	145.7	63.9	115.2	110.4	56.6
Eletrobrás credits	–	–	–	–	–	–	253.7
Prepaid expenses.....	116.0	208.9	89.4	112.6	202.8	175.9	116.1
Other accounts receivable.....	203.3	366.3	505.7	306.1	551.6	750.2	369.0
Total current assets	5,261.3	9,478.3	8,513.1	5,182.2	9,335.7	8,699.2	4,878.8
Non-current assets							
Long-term receivables							
Financial investments.....	4.8	8.6	4.0	2.2	4.0	4.0	65.3
Odebrecht Organization companies ⁽²⁾	735.6	1,325.2	1,219.7	594.7	1,071.3	1,034.4	10.5
Trade accounts receivable.....	504.7	909.3	1,077.3	400.9	722.2	1,264.0	726.8
Investments and properties for sale.....	2.2	4.0	10.4	6.2	11.2	10.4	118.8
Deferred income tax and social contribution	24.8	44.6	38.4	55.1	99.3	22.9	8.3
Taxes recoverable.....	9.5	17.1	130.6	60.8	109.6	128.4	22.3
Eletrobrás credits.....	127.6	229.8	215.6	122.8	221.3	207.1	–
Prepaid expenses	–	–	16.8	–	–	18.4	19.7
Other accounts receivable	132.9	239.5	83.2	56.3	101.4	42.5	49.5
	1,542.1	2,778.1	2,796.0	1,299.0	2,340.3	2,732.1	1,021.2
Investments							
Associated companies	543.2	978.5	771.2	447.7	806.6	586.4	790.9
Others	78.8	141.9	175.1	89.5	161.2	194.7	150.6
Property and equipment.....	851.6	1,534.1	1,768.7	883.9	1,592.3	1,992.7	1,057.4
Intangible assets.....	27.3	49.2	76.7	30.3	54.5	34.7	35.6
Deferred charges	27.4	49.4	90.7	27.9	50.2	112.9	110.2
Total non-current assets	3,070.4	5,531.2	5,678.4	2,778.3	5,005.1	5,653.5	3,165.9
Total assets	8,331.7	15,009.5	14,191.5	7,960.5	14,340.8	14,352.7	8,044.7

	As of June 30,			As of December 31,			
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007 (restated)
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)	
	(amounts expressed in millions, except financial ratios)						
Liabilities and stockholders' equity							
Current Liabilities							
Debts	366.0	659.3	736.9	357.9	644.8	872.7	431.8
Suppliers and subcontractors	930.4	1,676.2	1,352.6	985.7	1,775.7	1,597.5	1,036.6
Taxes, rates, salaries and payroll charges.....	588.0	1,059.3	1,230.8	669.1	1,205.4	1,139.4	510.8
Management profit sharing.....	9.9	17.8	12.5	6.9	12.5	12.5	12.5
Provisions for contingencies.....	46.2	83.2	50.7	40.7	73.4	36.5	18.3
Advances from customers.....	810.0	1,459.2	2,492.1	1,070.3	1,928.2	2,300.1	1,251.6
Current accounts with consortium members	206.0	371.1	203.0	65.2	117.4	195.6	68.1
Other accounts payable.....	82.4	148.4	328.6	230.4	415.0	515.6	180.6
Total current liabilities	3,038.9	5,474.5	6,407.2	3,426.2	6,172.4	6,669.9	3,510.3
Non current liabilities							
Long-term liabilities							
Odebrecht Organization companies ⁽²⁾							
Debts.....	187.8	338.3	99.4	38.1	68.6	305.2	143.3
Advances from customers.....	899.1	1,619.8	1,431.7	930.7	1,676.7	1,702.2	669.3
Deferred income tax and social contribution.....	2,112.6	3,805.9	2,737.9	1,438.4	2,591.2	2,706.0	1,596.0
Suppliers and subcontractors	206.5	372.1	269.1	229.4	413.3	158.9	200.2
Provisions for contingencies.....	50.2	90.4	120.5	64.5	116.2	85.7	55.9
Taxes payable in installments (REFIS).....	2.2	4.0	0.9	7.7	13.9	0.9	57.9
Provision for losses on investments	108.5	195.4	53.9	97.9	176.3	50.4	50.2
Other accounts payable.....	5.4	9.8	10.0	5.7	10.2	10.0	12.0
Total non current liabilities.....	86.9	156.5	118.2	63.1	113.8	103.3	33.4
Minority interest.....	3,659.2	6,592.2	4,841.6	2,875.5	5,180.2	5,122.6	2,818.2
Stockholders' equity	15.1	27.2	38.6	18.7	33.6	50.0	34.8
Capital.....	617.9	1,113.1	1,378.4	765.1	1,378.4	1,378.4	1,165.6
Revenue reserves	924.8	1,666.0	850.2	924.8	1,666.0	850.2	535.4
Equity evaluation adjustments.....	(77.3)	(139.3)	58.1	(49.8)	(89.8)	281.6	–
Retained earnings (loss).....	153.1	275.8	617.4	–	–	–	(19.6)
Total liabilities and stockholders' equity	1,618.5	2,915.6	2,904.1	1,640.1	2,954.6	2,510.2	1,681.4
OTHER DATA (unaudited)							
Gross margin ⁽³⁾	17.6%	17.6%	11.0%	12.3%	12.3%	16.4%	15.8%
EBITDA ⁽⁴⁾	424.0	763.8	665.4	983.5	1,771.8	2,313.6	880.8
EBITDA margin ⁽⁵⁾⁽⁸⁾	10.8%	10.8%	7.4%	9.7%	9.7%	14.0%	10.3%
Net debt/EBITDA ratio ⁽⁶⁾	(0.13)	(0.13)	(0.02)	(0.46)	(0.46)	0.06	(0.40)
Net debt/EBITDA ratio with CNO guaranty of notes ⁽⁷⁾	0.96	0.96	0.47	0.62	0.62	0.46	0.06

(1) Solely for the convenience of the reader, Brazilian *real* amounts as of and for the periods ended June 30, 2010 and December 31, 2009 have been translated into U.S. dollars at the commercial selling rate at June 30, 2010, of R\$1.8015 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Exchange Rates" for further information about recent fluctuations in exchange rates.

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

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

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

	For the six-month periods ended June 30,			For the years ended December 31,			
	2010 ⁽¹⁾	2010	2009	2009 ⁽¹⁾	2009	2008	2007 (restated)
	(in U.S.\$)	(in reais)		(in U.S.\$)		(in reais)	
	<i>(amounts expressed in millions, except financial ratios)</i>						
Net service revenues.....	3,922.8	7,066.8	8,979.7	10,161.2	18,305.5	16,574.6	8,563.5
Cost of services rendered.....	(3,233.9)	(5,825.9)	(7,988.4)	(8,907.4)	(16,046.7)	(13,862.2)	(7,206.9)
General and administrative expenses, including directors' remuneration expense.....	(391.8)	(705.6)	(624.9)	(619.0)	(1,115.1)	(863.3)	(693.3)
Depreciation/amortization.....	126.9	228.5	299.0	348.7	628.1	464.5	217.5
EBITDA.....	424.0	763.8	665.4	983.5	1,771.8	2,313.6	880.8
EBITDA margin ⁽⁵⁾⁽⁸⁾	10.8%	10.8%	7.4%	9.7%	9.7%	14.0%	10.3%

- (5) EBITDA margin is calculated by dividing EBITDA by our total net service revenues, expressed as a percentage. For the six-month periods ended June 30, 2010 and 2009, we have calculated our EBITDA margin by dividing our EBITDA for the six-month periods ended June 30, 2010 and 2009 by our total services and revenues for the corresponding six-month period.
- (6) Net debt/EBITDA ratio for the years ended December 31, 2009, 2008 and 2007 is calculated by dividing (1) our consolidated net debt as of the end of the year by (2) our consolidated EBITDA for the corresponding year. Net debt/EBITDA ratio for the six-month periods ended June 30, 2010 and 2009 is calculated by dividing (1) our consolidated net debt as of the end of the six-month period by (2) our consolidated EBITDA for the last twelve months prior to the periods ending on June 30, 2010 and 2009. Net debt means total short and long-term debt less cash and cash equivalents, and less financial investments.
- (7) Net debt/EBITDA ratio including CNO's guaranty of notes as of December 31, 2009, 2008 and 2007 is calculated by dividing (1) the sum of (x) our consolidated net debt as of the end of the year and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guarantee: (i) as of December 31, 2007: U.S.\$200.0 million 7.50% notes due 2017; (ii) as of the year ended December 31, 2008: U.S.\$400.0 million 7.50% notes due 2017; (iii) as of the year ended December 31, 2009: (A) U.S.\$400.0 million 7.50% notes due 2017, (B) U.S.\$200.0 million 9.625% notes due 2014 and (C) U.S.\$500.0 million 7.00% notes due 2020; by (2) our consolidated EBITDA for the corresponding year.
Net debt/EBITDA ratio including CNO's guaranty of notes as of June 30, 2010 and 2009 is calculated by dividing (1) the sum of (x) our consolidated net debt as of the end of the six-month period and (y) the outstanding aggregate principal amount of the following issuances of notes which we unconditionally guarantee: (i) as of the six-month period ended June 30, 2009: (A) U.S.\$400.0 million 7.50% notes due 2017, and (B) U.S.\$200.0 million 9.625% notes due 2014; (ii) as of the six-month period ended June 30, 2010: (A) U.S.\$400.0 million 7.50% notes due 2017, (B) U.S.\$200.0 million 9.625% notes due 2014 and (C) U.S.\$500.0 million 7.00% notes due 2020; by (2) our consolidated EBITDA for the corresponding six-month period.
- (8) For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Presentation and Critical Accounting Policies—Revenue Recognition for Construction Contracts." In particular, see the last paragraph of the heading "Revenue Recognition for Construction Contracts" of the section "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

The following discussion of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2009, 2008 and 2007 and our unaudited consolidated interim financial statements as of and for the six-month periods ended June 30, 2010 and 2009 included elsewhere in this offering memorandum, as well as with the information presented under "Presentation of Financial and Other Information" and "Selected Financial and Other Information of CNO."

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

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

- a brief overview of our company and the principal factors that influence our results of operations, financial condition and liquidity;
- a review of our financial presentation and critical accounting policies;
- a discussion of the principal factors that influence our results of operations;
- a discussion of our results of operations for the six-month periods ended June 30, 2010 and 2009 and the years ended December 31, 2009, 2008 and 2007;
- a discussion of our liquidity and capital resources, including our working capital as of December 31, 2009, our cash flows for the years ended December 31, 2009, 2008 and 2007, and our material short-term and long-term indebtedness as of December 31, 2009;
- a discussion of our capital expenditures and our contractual commitments; and
- a qualitative and quantitative discussion of market risks that we face.

Overview

We are the largest engineering and construction company in Latin America as measured by 2009 gross revenues, according to ENR. We engage in the construction of large-scale infrastructure and other projects, including the construction of highways, railways, power plants, bridges, tunnels, subways, buildings, port facilities, dams, manufacturing and processing plants, as well as mining and industrial facilities. We provide a variety of integrated engineering, procurement and construction services to clients in a broad range of industries, both within Brazil and internationally. These capabilities enable us to provide clients, individually or as part of a consortium, with single-source, turnkey project responsibility for complex construction projects. We concentrate our construction activities on infrastructure projects in Brazil and in several international markets, principally in Latin America and Africa, which include projects sponsored by the public and private-sectors, as well as concession-based projects.

We undertake projects throughout Brazil, in other Latin American countries (including mainly Venezuela, Peru, Argentina, Panama, Colombia and the Dominican Republic), the United States, Portugal and certain countries in Africa (mainly Angola). We have participated in the construction of over 187 km of bridges, over 52,750 MW of hydroelectric power plants, over 290 km of tunnels, over 11,550 km of roads and over 147 km of subway lines. We reported gross service revenues of R\$7,254.0 million (U.S.\$4,026.7 million) in the six-month period ended June 30, 2010 and R\$18,720.5 million (U.S.\$10,391.6 million) in the year ended December 31, 2009. We reported EBITDA of R\$763.8 million (U.S.\$424.0 million) in the six-month period ended June 30, 2010 and R\$1,771.8 million (U.S.\$983.5 million) in the year ended December 31, 2009.

We believe we are:

- Brazil's largest exporter of services with R\$13,036.4 million (U.S.\$7,236.4 million), or 69.6% of our gross service revenues in 2009, coming from outside Brazil;
- The largest contractor in Latin America and the fourth largest in Africa, according to ENR, as measured by gross revenues in each region in 2009;
- The world's 15th largest International Contractor, according to ENR, as measured by "gross revenues outside the home country" in 2009;
- The world's 29th largest Global Contractor, according to ENR, as measured by our gross revenues in 2009; and
- The world's fourth largest international builder in the Water segment in 2009 and ninth largest international builder in the Sewer/Waste segment.

Financial Presentation and Critical Accounting Policies

We have prepared our audited consolidated annual financial statements as of and for the years ended December 31, 2009, 2008 and 2007 and our unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2010 and 2009 in Brazilian *reais* in accordance with Brazilian GAAP, which differ in certain respects from U.S. GAAP. Brazilian GAAP differs in certain significant respects from U.S. GAAP and IFRS. We have not identified or quantified those differences. Such differences might be material to the financial statements included in this offering memorandum prepared in accordance with Brazilian GAAP. For a discussion of certain differences between Brazilian GAAP and U.S. GAAP, see "Appendix A—Summary of Certain Differences Between Brazilian GAAP and U.S. GAAP." We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information included herein. Potential investors should consult their own professional advisors for an understanding of the differences between Brazilian GAAP and U.S. GAAP or IFRS, and how those differences might affect the financial information included herein. The financial information included in our discussion of our results of operations should be read in conjunction with "Presentation of Financial and Other Information" and our financial statements, including the notes thereto, included elsewhere in this offering memorandum.

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

On December 28, 2007, Law No. 11,638 (as amended by Provisional Measure No. 449/08) was enacted, modifying the provisions of the Brazilian Corporate Law. Law No. 11,638 requires various modifications in the preparation of financial statements in order to align them with IFRS and delegates the responsibility for issuing standards for public companies to the CVM. The principal modifications introduced by Law No. 11,638 are applicable from January 1, 2008 and comprise:

- substitution of the statement of changes in financial position by the statement of cash flows;
- mandatory preparation of a value added statement;

- possibility of including tax records in accounting records, segregating between financial reporting and tax reporting statements;
- creation of the equity account “mark-to-market adjustments”;
- establishment of criteria for assessing and classifying financial instruments;
- mandatory testing for impairment of non-current assets;
- change in the method of accounting for investments in affiliated companies on the equity basis;
- creation of a tax incentive reserve; and
- mandatory accounting for new assets at market value upon mergers, consolidations or spin-offs.

As permitted by Law No. 11,638/07, our management chose to adopt January 1, 2006 as the transition date for the application of the provisions introduced by Law No. 11,638/07. Therefore, our consolidated financial statements as of and for the year ended December 31, 2007 have been amended and restated to reflect these changes in the Brazilian Corporate Law. The changes to the Brazilian Corporate Law resulted in the following principal changes in the manner in which we account for certain transactions in our consolidated financial statements:

- Derivative financial instruments: OOL and Olex Importação e Exportação S.A. have registered their derivative instruments at fair value, recognizing a gain in the aggregate amount of R\$55.7 million for the year ended December 31, 2009 compared to a loss in the aggregate amount of R\$16.0 million for the six-month period ended June 30, 2010. The gain and loss referred to above have been recorded as “Financial results, net” under our statement of income. Under the accounting standards that we previously applied, we were not required to record derivative financial instruments at fair value.
- Foreign investments: The effect resulting from exchange rate variation over foreign investments was recorded under “Equity evaluation adjustment” in our stockholders’ equity. For the six-month period ended June 30, 2010 exchange variations amounted to a loss of R\$45.5 million. Under the accounting standards that we previously applied, these variations used to be recorded in our statement of income.
- At December 2009, accumulated balances from tax incentives amounted to R\$15.4 million. These tax incentives are allocated to the “Retained earnings,” under stockholders’ equity.
- Reclassifications: Expenses related to permanent intangible rights as well as goodwill from future profitability previously classified as property and equipment and goodwill, respectively, were reclassified to intangible assets.
- Exchange rates: For the year ended December 31, 2009, results recorded in our statement of income and our statement of cash flows, to the extent denominated in foreign currencies, were converted to *reais* using the average exchange rates for the year ended December 31, 2009, respectively. Under the accounting standards that we previously applied, results recorded in our statement of income and our statement of cash flows, to the extent denominated in foreign currencies, were converted to *reais* using the exchange rates at period end.

Revenue Recognition for Construction Contracts

The majority of our contracts with our customers are either “unit price” or “fixed price.” Under unit price contracts, we are committed to provide materials or services required by a project at unit prices (for example, dollars per cubic meter of concrete or cubic meter of earth excavated). While unit price contracts shift the risk of estimating the quantity of units required for a particular project to the customer, any increase in our unit cost over the unit price bid, whether due to inflation, inefficiency, faulty estimates or other factors, is borne by us unless otherwise provided

in the contract. Fixed-price contracts are priced on a lump-sum basis under which we bear the risk that we may not be able to perform all of the work for the specified contract amount. Nearly all government or quasi-government contracts and many other contracts to which we are party provide for termination of the contract at the convenience of the party contracting with us, with provisions to pay us for work performed through the date of termination.

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

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

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

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

Construction Consortia

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

The consortium’s contract with the project owner typically requires joint and several liabilities among the consortium members. Our agreements with our consortia partners provide that each party will assume and pay its full proportionate share of any losses resulting from a project. However, if one of our partners is unable to pay its proportionate share, we remain liable under the contract to the project owner. Circumstances that could lead to a loss under these guaranty arrangements include a partner’s inability to contribute additional funds to the consortium in the event that the project incurred a loss or additional costs that we could incur should the partner fail to provide the services and resources toward project completion that had been committed to in the consortium agreement.

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

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

We are required to determine if operating income is sufficient to absorb the depreciation and amortization of long-term assets, within the context of our balance sheet as a whole, in order to assess potential asset impairment. If operating income is insufficient, within the context of permanent assets, to recover depreciation and amortization

as a result of permanent impairment of assets, the assets, or group of assets, are required to be written down to recoverable values, preferably based on the projected discounted cash flows of future operations.

Valuation of Long-term Investments

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

Contingencies

We are currently involved in certain legal and administrative proceedings that arise in our ordinary course of business, as described in note 12 to our unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2010 and 2009. Some of these proceedings involve amounts that are material to our financial statements. We believe that the extent to which these contingencies are recognized in our financial statements is adequate. It is our policy to record accrued liabilities for contingencies that are deemed probable to create a material adverse impact on the result of our operations or our financial condition.

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

Principal Factors Affecting Our Results of Operations

Pricing of our Services

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

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

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

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

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

Our net service revenues in Brazil represented 40.9% and 29.1% of our total net service revenues in the six-month period ended June 30, 2010 and in the year ended December 31, 2009, respectively. As a Brazilian company with substantial operations in Brazil, we are significantly affected by economic conditions in Brazil. Our results of operations and financial condition have been, and will continue to be, affected by the growth rate in Brazil of the gross domestic product, or GDP, because the level of spending on infrastructure projects is significantly affected by GDP growth and by Brazilian governmental policies.

In 2007 and 2008, GDP in Brazil increased by 5.4%, 5.1%, respectively, and decreased by 0.2% in 2009.

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

Growth of Infrastructure Spending and Available Financing in Other Emerging Markets

Our net service revenues outside Brazil represented 59.1% and 70.9% of our net service revenues in the six-month period ended June 30, 2010 and in the year ended December 31, 2009, respectively.

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

Our revenues in other emerging markets, including Peru and Argentina, are impacted by GDP growth in these countries, as well as by financing alternatives for infrastructure development in these markets. For example, we have financed projects in Peru with funding from multilateral financial institutions, including the IDB and CAF, as well as with long-term funding from domestic capital markets offerings in Peru which are subscribed to by Peruvian pension funds and insurance companies. If GDP growth in emerging markets countries were to falter or available financing were to be reduced or eliminated, this would adversely affect our revenues in these markets. The current global economic crisis may lead to a decrease in the number of new projects awarded, as well as delays or cancellations of major projects awarded (but not commenced). We believe that our diversification in various emerging markets helps to minimize risks associated with any single market. However, this diversification may not be sufficient to withstand a more widespread regional or global economic downturn.

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

Virtually all of our service revenues from our international construction projects are expressed in U.S. dollars. Our net revenues from construction projects outside Brazil represented 59.1% and 70.9% of our total net service revenues in the six-month period ended June 30, 2010 and in the year ended December 31, 2009, respectively. When the *real* appreciates against the U.S. dollar, our U.S. dollar revenues, when converted to *reais*, decrease, adversely affecting our operating margins. Conversely, when the *real* depreciates against the U.S. dollar, our U.S. dollar revenues, when converted into *reais*, increase, favorably affecting our operating margins. Accordingly, in order to mitigate the impact of currency fluctuations, we often enter into hedges against exchange rate fluctuations.

Any major devaluation of the *real* against the U.S. dollar would significantly increase our financial expenses and our short-term and long-term indebtedness, as expressed in *reais*. As of June 30, 2010, R\$1,423.9 million or 62.5% of our total debt was denominated in foreign currencies, such as U.S. dollars and other currencies. Conversely, any major appreciation of the *real* against the U.S. dollar would significantly decrease our financial expenses and our short-term and long-term indebtedness, as expressed in *reais*.

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

In addition to hedging contracts that limit our exposure to exchange rate fluctuations, we also enter into hedging contracts that limit our exposure to interest rate variations, as described in note 19(e) to our financial statements as of and for the years ended December 31, 2009 and 2008. We do not enter into any speculative hedging arrangements.

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

Effect of Level of Indebtedness and Interest Rates

As of June 30, 2010, our total outstanding consolidated indebtedness was R\$2,279.1 million (R\$4,291.3 million if we include Odebrecht Finance's U.S.\$400.0 million 7.50% notes due 2017, U.S.\$200.0 million 9.63% notes due 2014 and U.S.\$500.0 million 7.00% notes due 2020, in each case, which we unconditionally guarantee). Net financial results consist of interest expense or interest income, foreign exchange losses or gains and other items as set forth in note 15 to our consolidated financial statements. Our net financial results do not include the debt securities issued by Odebrecht Finance. In the six-month period ended June 30, 2010, we recorded net financial loss of R\$326.7 million, of which R\$169.9 million consisted of interest expense, R\$63.1 million consisted of bank commissions, R\$222.8 million consisted of foreign exchange loss, R\$104.1 million consisted of financial investments income and R\$24.8 million consisted of other financial expenses. The interest rates that we pay depend on a variety of factors, including prevailing Brazilian and international interest rates and our risk assessments, our industry and the Brazilian and emerging market economies made by potential lenders to our company, potential purchasers of our debt securities and the rating agencies that assess our company and our debt securities.

Results of Operations

Six-month period ended June 30, 2010 compared to the six-month period ended June 30, 2009

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

	For the six-month period ended June 30,	
	2010	2009
Net service revenues.....	100.0%	100.0%
Cost of services rendered.....	(82.4)%	(89.0)%
Gross profit.....	17.6%	11.0%
General and administrative expenses (including directors' remuneration).....	(10.0)%	(7.0)%
Financial (expense) income, net.....	4.6%	4.8%
Income before social contribution and income tax.....	5.4%	10.5%
Net income	3.9%	6.9%

Net Service Revenues

	For the six-month period ended June 30,	
	2010	2009
	<i>(amounts expressed in millions of reais)</i>	
Net service revenues		
Domestic market.....	2,888.6	2,302.7
Foreign market.....	4,178.2	6,677.0
Total.....	<u>7,066.8</u>	<u>8,979.7</u>

Our net service revenues decreased by 21.3% to R\$7,066.8 million during the six-month period ended June 30, 2010, compared to R\$8,979.7 million during the corresponding period in 2009.

In Brazil, our net service revenues increased by 25.4% to R\$2,888.6 million during the six-month period ended June 30, 2010, compared to R\$2,302.7 million during the corresponding period in 2009. This increase was primarily due to certain large contracts pursuant to which we started rendering services during the second half of 2009 or in the first half of 2010, such as the Submarine Project, the RENESE Refinery for Petrobras, ETH sugar cane mills, Green Polyethylene Petrochemical Plant, the Santo Antônio Hydroelectric Power Plant (Madeira Project), and the Transordestina Railway for Companhia Siderúrgica Nacional, among others.

Outside Brazil, our net service revenues measured in *reais* decreased 37.4% from R\$6,677.0 million in the six-month period ended June 30, 2009 to R\$4,178.2 million during the corresponding period in 2010, primarily as a result of lower revenues coming from oil-export countries, such as Angola. All of our service revenues from international construction projects are expressed in U.S. dollars and are converted into *reais* using the average exchange rate for the relevant period. Our service revenues from outside Brazil came mainly from various projects pursuant to which we started rendering services during the second half of 2009 or in the first half of 2010, such as in Argentina (YPF Refinery), Angola (Sonangol Gas Stations), Colombia (Ruta del Sol Highway and Canoas Water Supply Infrastructure), Dominican Republic (Corredor Duarte Highway), Panama (Maden-Colon Road Water Collection System and Curundu Reurbanization Project), Peru (Electric Train and Kuntur Project) and Portugal (IC 27 road).

Cost of Services Rendered

Our cost of services rendered decreased by 27.1% to R\$5,825.9 million during the six-month period ended June 30, 2010, compared to R\$7,988.4 million during the corresponding period in 2009. As a result, cost of services rendered reached 82.4% of net service revenues during the six-month period ended June 30, 2010 compared to 89.0% in the corresponding period in 2009. Our cost of services rendered consists of costs incurred in all of our projects. Our 27.1% decrease in our cost of services was primarily a result of our 21.3% decrease in our net service revenues.

Gross Margin

Our gross margin (gross profit divided by net service revenues) increased to 17.6% in the six-month period ended June 30, 2010, compared to 11.0% in the corresponding period in 2009. This increase is mainly due to higher average margins from contracts that we began working on in the last twelve months.

General and Administrative Expenses

Our general and administrative expenses (including directors' remuneration expenses) increased by 12.9% to R\$705.6 million during the six-month period ended June 30, 2010, compared to R\$624.9 million during the corresponding period in 2009. This increase was related to (1) a substantial increase in our backlog from U.S.\$18,705.8 million as of June 30, 2009 to U.S.\$21,519.6 million as of June 30, 2010, which resulted in an increase in our marketing development expenses, including expenses related to personnel, travel, third party

consulting and other services and (2) the larger size of the projects we were engaged in the first half of 2010, which in turn required us to hire more back-office personnel and contract additional third-party services.

Depreciation and Amortization

Our depreciation and amortization expenses decreased by 23.6% to R\$228.5 million during the six-month period ended June 30, 2010, compared to R\$299.0 million during the corresponding period in 2009, due mainly to effects of exchange variation in certain contracts outside of Brazil.

Financial Income (Expenses), Net

Our net financial result decreased from an income of R\$434.9 million in the six-month period ended June 30, 2009 to expense of R\$326.7 million in the six-month period ended June 30, 2010, primarily due to the exchange rate variation, which affected the amount of *reais* we used to pay interest denominated in U.S. dollars. Exchange rates followed opposite directions in the six-month periods ended June 30, 2010 and 2009: the *real* appreciated in the six-month period ended June 30, 2009 and the *real* depreciated in the corresponding period in 2010. The average cost of our debt remained stable in the six-month period ended June 30, 2010, as compared to the corresponding period in 2009, and our total debt increased slightly from R\$2,168.6 million as of June 30, 2009 to R\$2,279.1 million as of June 30, 2010. On the other hand, cash and cash equivalents increased from R\$2,213.9 million as of June 30, 2009 to R\$2,513.9 million as of June 30, 2010.

Results from Investments in Associated Companies

Our results from investments in associated companies remained stable, increasing from a gain of R\$190.1 million in the six-month period ended June 30, 2009 to a gain of R\$192.9 million in the corresponding period in 2010. This slight increase was mainly due to equity results from our ownership of preferred shares of Braskem, a company controlled by Odebrecht, mostly related to exchange variation effects. We obtained these preferred shares of Braskem in July 2007 when we converted debentures that had been issued by Braskem into preferred shares (with an aggregate book value of R\$805.6 million).

Other Income (Expenses), Net

Other expenses, net decreased from an expense of R\$50.0 million in the six-month period ended June 30, 2009 to an expense of R\$21.1 million in the corresponding period in 2010, in both six-month periods, these results were primarily due to the write-off of property and equipment.

Income Before Income Tax and Social Contribution

Income before income tax and social contribution decreased by 59.6% to R\$380.5 million in the six-month period ended June 30, 2010, compared to R\$941.4 million in the corresponding period in 2009, primarily due to the net financial expense recorded in the six-month period ended June 30, 2010 compared to the net financial income recorded in the corresponding period in 2009.

Income Tax and Social Contribution

Our income tax and social contribution decreased by 69.4% to R\$97.8 million in the six-month period ended June 30, 2010, compared to R\$319.7 million in the corresponding period in 2009, due to the decrease in our taxable income, primarily affected by the depreciation of the *real* in 2010.

Net Income

As a result of the foregoing, we recorded net income of R\$275.8 million in the six-month period ended June 30, 2010, compared to R\$617.4 million in the six-month period ended June 30, 2009, representing a decrease of 55.3%.

Year ended December 31, 2009 compared to the year ended December 31, 2008

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

	For the year ended December 31,	
	2009	2008
Net service revenues.....	100.0%	100.0%
Cost of services rendered.....	(87.7)%	(83.6)%
Gross profit.....	12.3%	16.4%
General and administrative expenses (including directors' remuneration).....	(6.1)%	(5.2)%
Financial (expense) income, net.....	2.3%	(4.0)%
Income before social contribution and income tax.....	8.8%	4.2%
Net income.....	5.4%	3.6%

Net Service Revenues

	For the year ended December 31,	
	2009	2008
	<i>(amounts expressed in millions of reais)</i>	
Net service revenues		
Domestic market.....	5,334.4	3,738.7
Foreign market.....	12,971.1	12,835.9
Total.....	18,305.5	16,574.6

Our net service revenues increased by 10.5% to R\$18,305.5 million during 2009, compared to R\$16,574.6 million during 2008.

In Brazil, our net service revenues increased by 42.7% to R\$5,334.4 million in 2009, compared to R\$3,738.7 million in 2008. This increase was primarily due to certain large contracts pursuant to which we started rendering services during 2009, such as the Santo Antônio Hydroelectric Power Plant (Madeira Project), the D. Pedro I highway expansion and maintenance, works rendered to Petrobras (PTA Project, Comperj, Jack-ups P-59/P-60 and the Osvat Gas Pipeline), the Submarine Project, the Salobo mine for Vale, the Jeceaba Treatment Plant and certain other sanitation infrastructure projects (Rio Melhor, Água Limpa Sewage, Tabuleiros Litorâneos irrigation, etc.).

Outside Brazil, our net service revenues measured in *reais* remained stable, increasing from R\$12,835.9 million in 2008 to R\$12,971.1 million in 2009, primarily as a result of the appreciation of the *real* against the U.S. dollar (R\$1.741 per U.S. dollar on December 31, 2009 compared to R\$2.337 per U.S. dollar on December 31, 2008). All of our service revenues from international construction projects are expressed in U.S. dollars and are converted into *reais* using the average exchange rate for the relevant period. Our service revenues from outside Brazil came mainly from various projects pursuant to which we started rendering services during 2009, such as in Venezuela (El Dilúvio – Anzoategui Irrigation, Addition to Orinoco Bridge III, Los Teques and Tocoma Hydroelectric Power Plant, Argentina (Gas Pipeline and Paraná de las Palmas Water Treatment Plant, Libya (Tripoli Airport), Angola (Expressways), Viana Industrial Parks, Luanda Roads, Benguela Roads, Angola Sewage and Noblesse Residential), Dominican Republic (Palomino Hydroelectric Power Plant), Panama (Dos Mares Hydroelectric Power Plant and Maden-Colon Road) and Portugal (IC 27 road).

Cost of Services Rendered

Our cost of services rendered increased by 15.8% to R\$16,046.7 million during 2009, compared to R\$13,862.2 million during 2008. As a result, cost of services rendered reached 87.7% of net service revenues during 2009 compared to 83.6% in 2008. Our cost of services rendered consists of costs incurred in all of our projects. This

increase in cost of services was principally related to hiring additional personnel and acquiring additional raw materials in connection with additional construction projects in their execution stage during 2009 when compared to 2008.

Gross Margin

Our gross margin (gross profit divided by net service revenues) decreased to 12.3% in 2009, compared to 16.4% in 2008. The global financial crisis that began in the end of 2008 resulted in our adopting an even more conservative positioning and resulted in a budget review with downward margin adjustments for, and the renegotiation of the payment terms of, certain of our main contracts in some countries, particularly Angola and Venezuela.

General and Administrative Expenses

Our general and administrative expenses (including directors' remuneration expenses) increased by 29.2% to R\$1,115.1 million during 2009, compared to R\$863.3 million in 2008. This increase was related to (1) a substantial increase in our backlog from U.S.\$18,092.0 million as of December 31, 2008 to U.S.\$20,257.6 million as of December 31, 2009, which resulted in an increase in our marketing development expenses, including expenses related to personnel, travel, third party consulting and other services and (2) the larger size of the projects we were engaged in 2009, which in turn required us to hire more back-office personnel and contract additional third-party services.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 35.2% to R\$628.1 million during 2009, compared to R\$464.5 million during 2008, due mainly to the increase in our contract backlog from U.S.\$18,092.0 million as of December 31, 2008 to U.S.\$20,257.6 million as of December 31, 2009.

Financial Income (Expenses), Net

Our net financial result increased from an expense of R\$663.4 million in 2008 to income of R\$418.6 million in 2009 primarily due to the exchange rate variation, which affected the amount of *reais* we used to pay interest denominated in U.S. dollars. Exchange rates were extremely volatile during the year and followed opposite directions in 2009 and 2008: the *real* depreciated by 31.9% in 2008 (from R\$1.7713 per U.S. dollar as of December 31, 2007 to R\$2.3370 per U.S. dollar as of December 31, 2008); and the *real* appreciated by 25.5% in 2009 (from R\$2.370 per U.S. dollar as of December 31, 2008 to R\$1.7412 per U.S. dollar as of December 31, 2009). As a result, exchange variation result, net, increased from an expense of R\$494.0 million in 2008 to an income of R\$581.9 million in 2009. While the average cost of our debt remained stable in 2009, as compared to 2008, our total debt decreased from R\$2,574.9 million as of December 31, 2008 to R\$2,321.5 million as of December 31, 2009. On the other hand, cash, banks and financial investments increased from R\$2,446.4 million as of December 31, 2008 to R\$3,135.0 million as of December 31, 2009.

Results from Investments in Associated Companies

Our results from investments in associated companies increased from a loss of R\$250.2 million in 2008 to a gain of R\$176.9 million in 2009. This result was mainly due to equity results from our ownership of preferred shares of Braskem, a company controlled by Odebrecht, mostly related to exchange variation effects. We obtained these preferred shares of Braskem in July 2007 when we converted debentures that had been issued by Braskem into preferred shares (with an aggregate book value of R\$805.6 million).

Other Income (Expenses), Net

Other expenses, net decreased from R\$171.7 million in 2008 to R\$125.3 million in 2009, primarily due to the write-off of property and equipment. In 2008, the R\$171.7 million expense was mainly due to losses resulting

from the sale of Braskem shares to an affiliate, as well as the depletion of one of the diamond deposits of the associated company SDM in Angola.

Income Before Income Tax and Social Contribution

Income before income tax and social contribution increased by 130.3% to R\$1,613.9 million in 2009, compared to R\$700.7 million in 2008, primarily due to increases in net financial income and equity results and decrease of other expenses, as previously discussed.

Income Tax and Social Contribution

Our income tax and social contribution increased by 465.3% to R\$615.6 million in 2009, compared to R\$108.9 million in 2008, due to the increase in our taxable income, primarily affected by the *real* appreciation in 2009, which generated a non-cash effect in the statement of income. Therefore, most of the increase in income tax and social contribution comes from deferred income tax and social contribution, of R\$ 279.4 million in 2009.

Net Income

As a result of the foregoing we recorded net income of R\$984.0 million in 2009, compared to R\$589.0 million in 2008, representing an increase of 67.1%.

Year ended December 31, 2008 compared to the year ended December 31, 2007

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

	For the year ended December 31,	
	2008	2007
Net service revenues.....	100.0%	100.0%
Cost of services rendered.....	(83.6)%	(84.2)%
Gross profit.....	16.4%	15.8%
General and administrative expenses (including directors' remuneration).....	(5.2)%	(8.1)%
Financial (expense) income, net.....	(4.0)%	1.2%
Income before social contribution and income tax.....	4.2%	9.3%
Net income.....	3.6%	5.1%

Net Service Revenues

	For the year ended December 31,	
	2008	2007
		(restated)
		<i>(amounts expressed in millions of reais)</i>
Net service revenues		
Domestic market.....	3,738.7	2,536.9
Foreign market.....	12,835.9	6,026.6
Total.....	16,574.6	8,563.5

Our net service revenues increased by 93.5% to R\$16,574.6 million during 2008, compared to R\$8,563.5 million during 2007.

In Brazil, our net service revenues increased by 47.4% to R\$3,738.7 million in 2008, compared to R\$2,536.9 million in 2007. This increase was primarily due to our being hired for new construction projects in 2008, resulting from the overall increase in public and private sector investments in infrastructure projects in Brazil. Our construction projects, both new and existing, in Brazil included the following (with revenues shown for the year

ended December 31, 2008): Petrobras ODBEI Rio Gas Plant, Petrobras REPAR Refinery and Gas Plant and other Petrobras projects (R\$403.4 million); Vale, Onça Puma and Salobo mines and other Vale projects (R\$346.1 million); Braskem/Petrobras Paulínia Plant and other Braskem projects (R\$159.9 million); Norte-Sul Railway (R\$214.6 million); Simplicio Hydroelectric Power Plant (R\$150.4 million); Dardanelos Hydroelectric Power Plant (R\$163.2 million); the Rodoanel in São Paulo (R\$134.4 million); and the Rio das Ostras Sewage System (R\$261.5 million).

Outside Brazil, our net service revenues measured in *reais* increased by 113.0% to R\$12,835.9 million in 2008, compared to R\$6,026.6 million in 2007. All of our service revenues from international construction projects are expressed in U.S. dollars and are converted into *reais* using the average exchange rate for the relevant period. During 2008, the average U.S. dollar/*real* exchange rate was R\$1.8374 per U.S. dollar, while for 2007 the average exchange rate was R\$1.9483 per U.S. dollar, representing an appreciation (on average) of the *real* against the U.S. dollar of 5.7%, compared to 2007; however, the period-end exchange rate for 2008 was R\$2.337 per U.S. dollar. The increase in our net service revenues outside Brazil resulted primarily from increased service revenues in new projects in: Angola (39 projects ongoing in the country in 2008, including the *Mercados Populares* (Popular Markets), the Expressways, the Luanda Roads, the Luanda Sewage System, the Viana Industrial Center, the Zango Houses and the Benguela Road, with a total 2008 revenue of R\$3,832.0 million); Venezuela (primarily from the El Diluvio irrigation project, the Orinoco Bridge III, the Tocoma Hydroelectric Power Plant and the Los Teques Metro, with a total revenue of R\$3,220.0 million in 2008); Argentina (R\$1,111.0 million from the North-South Gas Pipeline); and Panama (R\$732.0 million total revenues in 2008, mainly from the Madden-Colon and Cinta Costeira roads).

Cost of Services Rendered

Our cost of services rendered increased by 92.3% to R\$13,862.2 million during 2008, compared to R\$7,206.9 million during 2007, which was consistent with the increase in our net service revenues during 2008, as evidenced by the percentage of our cost of services rendered to our net service revenues, which slightly decreased to 83.6% in 2008 as compared to 84.2% in 2007. This increase in cost of services was principally caused by higher construction and engineering services costs (mainly related to hiring additional personnel and acquiring additional raw materials in connection with additional construction projects) rendered during 2008, when compared to 2007.

Gross Margin

Our gross margin (gross profit divided by net service revenues) increased to 16.4% in 2008, compared to 15.8% in 2007, primarily as a result of the increase in gross margins in projects in Brazil, Angola, Argentina and the Dominican Republic, which generally tend to have higher gross margins, and projects in the United States during 2008, which tend to have lower gross margins.

General and Administrative Expenses

Our general and administrative expenses (including directors' remuneration expenses) increased by 24.5% to R\$863.3 million during 2008, compared to R\$693.3 million in 2007. This increase was related to (1) the greater number of construction projects for which we were engaged in 2008, which in turn required us to hire more back-office personnel and contract additional third-party services and (2) a substantial increase in our backlog from U.S.\$13,343.0 million as of December 31, 2007 to U.S.\$18,092.0 million as of December 31, 2008, which resulted in an increase in our marketing development expenses, including expenses related to personnel, travel, third party consulting and other services. Our general and administrative expenses also increased as a result of the 9.1% increase in the rate of inflation in Brazil as measured by the IGP-M in 2008. Because many of our back-office functions are performed in Brazil, our general and administrative expenses are particularly impacted by inflation in Brazil.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 113.6% to R\$464.5 million during 2008, compared to R\$217.5 million during 2007, primarily due to the increase in our contract backlog from

U.S.\$13,343.0 million as of December 31, 2007 to U.S.\$18,092.0 million as of December 31, 2008, and the resulting 88.5% increase in our fixed assets from R\$1,057.4 million as of December 31, 2007 to R\$1,992.7 million as of December 31, 2008.

Financial Income (Expenses), Net

While the average cost of our debt remained stable in 2008, as compared to 2007, our gross debt increased from R\$1,101.1 million as of December 31, 2007 to R\$2,574.9 million as of December 31, 2008. Although, the *real* appreciated (on average) against the U.S. dollar, volatility in the exchange rates in the fourth quarter of 2008 caused the *real* to depreciate against the U.S. dollar by 23.5% in 2008, based on a comparison of exchange rates at year end. The principal drivers of our net financial expenses, R\$663.4 million for 2008, compared to net financial income, R\$104.6 million for 2007, were (1) the decrease in financial investments income from R\$158.1 million for 2007 to R\$55.0 million for 2008, (2) the increase in exchange variation expense from R\$316.2 million for 2007 to R\$835.3 million for 2008 due to the substantial depreciation of the *real* as against the U.S. dollar in 2008, (3) the decrease in exchange variation income from R\$391.9 million for 2007 to R\$341.3 million for 2008 and (4) the increase in our expenses to service our debt from R\$79.3 million for 2007 to R\$144.7 million for 2008 due to the overall increase in our U.S. dollar-denominated debt.

Results from Investments in Associated Companies

Our results from investments in associated companies decreased from a gain of R\$6.2 million during 2007 to a loss of R\$250.2 million during 2008. This decrease was primarily due to equity results from our ownership of preferred shares of Braskem. The price of these preferred shares fell substantially beginning in September 2008 primarily due to the adverse impact of the global economic recession on Braskem's business and on the equity value of companies worldwide, which resulted in a significant unrealized loss for us.

In addition, our results from investments in associated companies were negatively impacted by our increased provision for losses on investments and lower amortization of goodwill. However, we received R\$5.2 million in dividends in 2008 compared to none in 2007 and we had other equity results of R\$42.5 million in 2008 compared to none in 2007.

Other Income (Expenses), Net

We recorded net other expenses of R\$234.8 million during 2008, compared to net other income of R\$25.2 million during 2007. This result primarily relates to (1) the dilution of our ownership of preferred shares in Braskem, generating a loss to us of R\$63.1 million, (2) the exhaustion of a diamond mine in the Catoca Kimberlite area in Angola, which resulted in a loss to us of R\$83.2 million and (3) losses in the sale of permanent assets, such as equipment and machinery, in the amount of R\$77.5 million.

Income Before Income Tax and Social Contribution

Our income before income tax and social contribution decreased by 12.3% to R\$700.7 million during 2008, compared to R\$799.3 million during 2007, primarily due to the increase in our net financial expenses and exchange rate variations arising from the *real* to the U.S. dollar, as well as other currencies in the countries in which we operate and equity losses resulting from our ownership of preferred shares of Braskem.

Income Tax and Social Contribution

Our income tax and social contribution decreased by 66.5% from R\$324.6 million during 2007 to R\$108.9 million during 2008, due to the decrease in our taxable income, as a result of higher financial expense, exchange rate variations and amortization of goodwill.

Net Income

As a result of the foregoing, we recorded net income in 2008 of R\$589.0 million, compared to R\$434.2 million in 2007, representing an increase of 35.7%.

Liquidity and Capital Resources

Our principal cash requirements consist of the following:

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

Our principal sources of liquidity consist of the following:

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

As of June 30, 2010, our cash and cash equivalents and financial investments totaled R\$2,513.9 million, as compared to R\$3,135.0 million as of December 31, 2009. This decrease was mainly due to dividends paid to our shareholders in an aggregate amount of R\$178.6 million and other remittances to Odebrecht primarily related to investments in the oil and gas business and infrastructure projects in the aggregate amount of R\$310.0 million.

Our current assets increased by R\$965.2 million to R\$ 9,478.3 million as of June 30, 2010, compared to R\$ 8,513.1 million as of June 30, 2009, primarily due to increase in cash and cash equivalents, financial investments and trade accounts receivables.

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

- Regular trade accounts receivable are mostly short-term receivables arising in the ordinary course of our business, and have historically represented, on average, 70 days of revenue, which our management believes is standard for the construction industry and the markets in which we operate.
- Claims accounts receivable typically relate to amounts due from clients when there are changes in the original, contracted scope of work. We account for a claim as a receivable in our financial statements after an agreement has been reached with the client with respect to the amount or, on certain occasions, when an independent appraiser agrees with our assessment of the likelihood of our collection and the amount of the claim.

- Contractual (trade account) receivables relate to contractual obligations not yet invoiced, but recorded in accordance with the percentage of completion method.
- Overdue (trade account) receivables were mostly generated between 1988 and 1994, a period of high inflation in Brazil, when we, like many Brazilian construction companies, performed work for Brazilian governmental authorities and state-owned entities, and disagreements often arose regarding the type of indexation to inflation that would be used to adjust amounts owed to us. As of June 30, 2010, December 31, 2009 and December 31, 2008, we had overdue accounts receivable of R\$615.6 million, R\$544.2 million and R\$856.8 million, respectively. As of June 30, 2010, our overdue receivables represented 4.1% of our total assets. Most of our overdue accounts receivable are the subject of protracted litigation, and in certain cases, we are negotiating settlement agreements with these clients. In addition, we make decisions on a case-by-case basis with respect to the write-offs of our overdue accounts receivable in line with Brazilian GAAP.

As of June 30, 2010, we had consolidated working capital (current assets minus current liabilities) of R\$4,003.8 million. The increase in our working capital is primarily due to the increase in trade accounts receivable.

As of June 30, 2010, our total debt was R\$2,279.1 million, consisting of R\$659.3 million in short-term debt and R\$ 1,619.8 million in long-term debt. As of June 30, 2010, our *real*-denominated debt and foreign currency-denominated debt were R\$855.1 million and R\$1,424.0 million, respectively. As of June 30, 2010, 13.3% of our total debt was secured by collateral (mainly equipment financing).

As of December 31, 2009, our total debt was R\$2,321.5 million, consisting of R\$644.8 million in short-term debt and R\$1,676.7 million in long-term debt. As of December 31, 2009, our *real*-denominated debt and foreign currency-denominated debt were R\$838.5 million and R\$1,483.0 million, respectively. As of December 31, 2009, 15.4% of our total debt was secured by collateral (mainly equipment financing).

The decrease in our short-term debt as of December 31, 2009 compared to December 31, 2008 was basically due to the appreciation of the *real*, as 70% of our short-term debt is denominated in foreign currency. The decrease in our long-term debt as of December 31, 2009 compared to December 31, 2008 was also primarily due to the appreciation of the *real*.

The following table sets forth, as of June 30, 2010, our outstanding principal obligations in foreign currencies and *reais* maturing in the years ending December 31, 2010, 2011, 2012, and 2013 and thereafter.

	Year ended December 31,			
	2010	2011	2012	2013 and after
		<i>(in millions of reais)⁽¹⁾</i>		
Local Currency	156.5	185.3	156.7	356.6
Foreign Currencies	273.3	353.3	249.4	547.8 ⁽²⁾
Total	429.8	538.6	406.1	904.4

(1) Indebtedness denominated in U.S. dollars was translated for convenience only using the commercial selling rate as reported by the Central Bank as of December 31, 2009 for *reais* into U.S. dollars of R\$1.741 per U.S. dollar. These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate. See "Presentation of Financial and Other Information" and "Exchange Rates."

(2) Includes the 9.625% perpetual notes in the aggregate principal amount of U.S.\$200.0 million issued by OOL, an indirectly wholly-owned subsidiary of CNO. Based on the commercial selling rate as reported by the Central Bank as of December 31, 2009 for *reais* into U.S. dollars of R\$1.741 per U.S. dollar, the aggregate principal amount of these notes is R\$390.3 million.

We may use available cash and cash equivalents to repay existing short-term indebtedness. In addition, we are party to a U.S.\$500.0 million revolving credit facility agreement that we may draw upon from in order to pay outstanding short-term indebtedness. See "—Standby Facility."

Hermes Covered Loan Agreement

On November 27, 2007, our Venezuela branch and our subsidiary, Bento Pedrosa Construções S.A., or BPC, entered into a credit facility in the total aggregate principal amount of U.S.\$65.3 million with ABN Amro Bank N.V. to finance the purchase of certain equipment under several supply contracts entered into between our Venezuela branch and Herrenknecht AG. The principal amount of this facility bears interest at LIBOR plus a margin of 0.275% per annum, payable semi-annually, commencing in May 2008. Principal under this facility is payable in 20 consecutive equal semi-annual installments commencing in May 2008 and maturing in May 2018. This facility is secured by a credit insurance policy issued by Germany, acting through Hermes. As of December 31, 2009, the total amount outstanding under this facility was U.S.\$56.2 million.

Guaranteed Notes (the 2017, the 2014 and 2020 notes)

On October 18, 2007 and April 14, 2008, Odebrecht Finance issued 7.50% notes due 2017 in an aggregate principal amount of U.S.\$400.0 million. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 7.50% per annum and is payable semi-annually, in arrears, on April 18 and October 18 of each year, beginning on April 18, 2008. These notes include covenants that restrict our and our subsidiaries' ability to create liens and allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another entity only if we comply with certain requirements.

On April 9, 2009, Odebrecht Finance issued 9.625% notes due 2014 in an aggregate principal amount of U.S.\$200.0 million. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 9.625% per annum and is payable semi-annually, in arrears, on April 9 and October 9 of each year, beginning on October 09, 2009. These notes include covenants that restrict our and our subsidiaries' ability to create liens, but allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another entity only if we comply with certain requirements.

On October 21, 2009, Odebrecht Finance issued 7.00% notes due 2020 in an aggregate principal amount of U.S.\$500.0 million. We provided an unconditional guaranty of these notes. Interest on these notes accrues at a rate of 7.00% per annum and is payable semi-annually, in arrears, on April 21 and October 21 of each year, beginning on April 21, 2010. These notes include covenants that restrict our and our subsidiaries' ability to create liens, but allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another entity only if we comply with certain requirements.

Perpetual Notes

On September 24, 2005, OOL an indirectly wholly-owned subsidiary of CNO, issued 9.625% perpetual notes in an aggregate principal amount of U.S.\$200.0 million, solely outside of the United States pursuant to Regulation S. We provided an unconditional guaranty of the perpetual notes, which have no maturity date but are callable (in whole, but not in part) by OOL on each quarterly interest payment date commencing on the fifth anniversary of their issuance date. The perpetual notes include covenants that restrict our and our subsidiaries' ability to create liens and allow us to consolidate or merge with, or transfer all or substantially all of its assets to, another entity only if we comply with certain requirements. The perpetual notes do not include any financial covenants.

Medium-Term Note Program

On February 18, 2004, OOL established a medium-term note program guaranteed by us, permitting OOL to issue up to U.S.\$250.0 million in aggregate principal amount of notes with maturities of up to five years from date of issuance. We subsequently amended this medium-term note program to increase the maximum aggregate principal amount that OOL would be permitted to issue to U.S.\$500.0 million.

On August 9, 2007, OOL successfully concluded a cash "exit" tender offer and consent solicitation relating to its U.S.\$150.0 million 11.50% notes due 2009, which notes were issued under the medium-term note program. OOL received tenders and consents in respect of U.S.\$116.1 million in aggregate principal amount of notes,

representing approximately 72.0% of the aggregate principal amount of the outstanding medium-term notes, not including notes then-held by OOL or its affiliates. Out of this total, U.S.\$107.5 million of notes were tendered (with a “deemed consent” for certain proposed amendments) and U.S.\$8.6 million remained as noteholders but agreed to consent to these amendments. The notes were amended to conform the covenants and events of default of these notes to the respective covenants and events of default set forth in OOL’s outstanding 9.625% U.S.\$200.0 million perpetual notes guaranteed by us. On February 25, 2009, we repaid the outstanding principal amount of these medium-term notes in full.

Standby Facility

On January 20, 2010, OOL entered into a U.S.\$500.0 million revolving credit facility agreement with certain financial institutions parties thereto, as lenders. We provided an unconditional guaranty of this facility. We are entitled to draw amounts under this facility until February 2013, unless otherwise extended by mutual agreement. Outstanding principal amounts under the facility accrue interest at LIBOR plus a margin of 3.00% per annum. We pay a monthly commitment fee on undrawn amounts under this facility at 1.00% per annum. As of the date hereof, we did not have any amount drawn under this facility.

Capital Expenditures

Our consolidated capital expenditures totaled R\$223.3 million during the six-month period ended June 30, 2010 and R\$174.9 million during the corresponding period in 2009. During the years ended December 31, 2009, 2008 and 2007, our consolidated capital expenditures totaled R\$629.0 million, R\$1,053.7 million and R\$874.6 million, respectively. Our consolidated capital expenditures generally have been made to purchase machinery, equipment and vehicles. We believe that the expected stability in our contract portfolio and the substantial capital expenditures we have made in the last three years will allow expenses with equipment to remain along the same level as for depreciation. From the total amount of our consolidated capital expenditures made in 2007, fixed assets in the aggregate amount of R\$7.0 million were transferred to OOG and OEI, as part of the Corporate Reorganization.

Off-Balance Sheet Arrangements

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

Market Risk

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

A significant level of our liabilities and a large portion of our operating expenses are denominated in or linked to U.S. dollars or to other foreign currencies. We believe that our exposure to losses caused by exchange rate variations between the *real* and the U.S. dollar (or such other currencies) is largely mitigated by the significant level of our revenues from projects outside Brazil in U.S. dollars or other foreign currencies (representing 57.9% of our total revenues during the six-month period ended June 30, 2010).

We and our subsidiaries participate in transactions involving swap and forward transactions for the purpose of hedging against the effects of the exposure in foreign currencies and interest rate fluctuations. These transactions generated a loss in the six-month period ended June 30, 2010 of R\$16.0 million. As of June 30, 2010, forward operations were outstanding in the amount of R\$13.4 million recorded under the line item “other accounts payable.”

BUSINESS

Overview

We are the largest engineering and construction company in Latin America as measured by 2009 gross revenues, according to ENR. We engage in the construction of large-scale infrastructure and other projects, including the construction of highways, railways, power plants, bridges, tunnels, subways, buildings, port facilities, dams, manufacturing and processing plants, as well as mining and industrial facilities. We provide a variety of integrated engineering, procurement and construction services to clients in a broad range of industries, both within Brazil and internationally. These capabilities enable us to provide clients, individually or as part of a consortium, with single-source, turnkey project responsibility for complex construction projects. We concentrate our construction activities on infrastructure projects in Brazil and in several international markets, principally in Latin America and Africa, which include projects sponsored by the public and private-sectors, as well as concession-based projects.

We undertake projects throughout Brazil, in other Latin American countries (including mainly Venezuela, Peru, Argentina, Panama, Colombia and the Dominican Republic), the United States, Portugal and certain countries in Africa (mainly Angola). We have participated in the construction of over 187 km of bridges, over 52,750 MW of hydroelectric power plants, over 290 km of tunnels, over 11,550 km of roads and over 147 km of subway lines. We reported gross service revenues of R\$7,254.0 million (U.S.\$4,026.7 million) in the six-month period ended June 30, 2010 and R\$18,720.5 million (U.S.\$10,391.6 million) in the year ended December 31, 2009. We reported EBITDA of R\$763.8 million (U.S.\$424.0 million) in the six-month period ended June 30, 2010 and R\$1,771.8 million (U.S.\$983.5 million) in the year ended December 31, 2009.

We believe we are:

- Brazil's largest exporter of services with R\$13,036.4 million (U.S.\$7,236.4 million), or 69.6% of our gross service revenues in 2009, coming from outside Brazil;
- The largest contractor in Latin America and the fourth largest in Africa, according to ENR, as measured by gross revenues in each region in 2009;
- The world's 15th largest International Contractor, according to ENR, as measured by "gross revenues outside the home country" in 2009;
- The world's 29th largest Global Contractor, according to ENR, as measured by our gross revenues in 2009; and
- The world's fourth largest international builder in the Water segment in 2009 and ninth largest international builder in the Sewer/Waste segment.

Our Competitive Strengths

We believe that our main competitive strengths include the following:

Leadership Position

We are Latin America's largest engineering and construction company as measured by our gross revenues in 2009, according to ENR. Our geographic diversification, extensive operations and leading market share in Brazil enable us to capitalize on additional business opportunities as they arise. We are owned by the Odebrecht Group, which is the fifth largest Brazilian-owned private sector conglomerate based on sales in 2009. The Odebrecht Group is also the controlling shareholder of Braskem, the largest petrochemical company in Latin America, based on average annual production capacity in 2009, and the fourth largest Brazilian-owned private sector industrial companies based on sales in 2009.

Financial Strength

We believe that our financial performance has been consistent, enabling us to rely primarily on our cash flow from operations to grow our business. Our EBITDA margins (which we define as EBITDA as a percentage of our net service revenues) for the six-month period ended June 30, 2010, 2009, 2008 and 2007 were 10.8%, 9.7%, 14.0% and 10.3%, respectively. Our cash and cash equivalents and financial investments totaled R\$2,513.9 million (U.S.\$1,395.4 million) and R\$3,135.0 million (U.S.\$1,740.2 million) as of June 30, 2010 and as of December 31, 2009, respectively. We are focused on maintaining the relatively strong financial position and liquidity we have as compared to many of our competitors.

Diversification

We have expanded our business internationally in order to broaden our client base and diversify the risks inherent in an excessive reliance on the Brazilian market, as well as to increase the share of our revenues denominated in dollars and other currencies. As of June 30, 2010, we had 157 ongoing projects: Brazil (70); Angola (33); Venezuela (12); Peru (10); Panama (8); the Dominican Republic (5); the United States (5); Portugal (3); Argentina (3); Libya (2); Mozambique (2); Colombia (2); and other (2).

The percentage of our gross service revenues derived from international projects increased from approximately 30% in 1992 to 57.9% in the six-month period ended June 30, 2010. We believe our diversification provides us with revenue growth opportunities, while reducing our exposure to one single market and related risks including political risks.

Strong and Diversified Backlog

We define backlog to include payments under contracts that we have signed for a particular project and for which an identified source of funding exists, but have not been recognized as revenue by us. As of June 30, 2010, (1) our backlog represented U.S.\$21,519.6 million, or more than two years of future services based on our performance of 2009 and (2) we expect to complete approximately 20% of our total backlog by the end of 2010. Our backlog includes a diversified portfolio of engineering and construction projects in various infrastructure sectors and different types of construction undertakings in numerous countries.

Described below are certain new contracts entered into and amendments to existing contracts during the six-month period ended June 30, 2010 (totaling U.S.\$4,633.3 million in Brazil and U.S.\$1,403.8 million in "Other Countries"):

- In Brazil:
 - Submarine Project – (U.S.\$2,303.8 million);
 - Renest Refinery for Petrobras – (U.S.\$853.6 million);
 - Brenco/ETH Plant – (U.S.\$650.0 million).
 - Pier IV for Vale – (U.S.\$135.3 million); and
 - Aquapolo Project – (U.S.\$130.1 million).
- In Other Countries:
 - YPF/Repsol Refinery, Argentina – (U.S.\$261,0 million)
 - Addition to Maden-Colón Road, Panamá – (U.S.\$185.6 million); and

- Hurricane Flood Protection Levee in New Orleans, USA – (U.S.\$104.5 million).

Experienced and Professional Management Team with Strong Entrepreneurial Culture

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

Our Strategy

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

Managing Political Risk

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

- In countries in which we operate with significant political risk concerns, such as certain Latin American countries and Angola, we usually bid on and perform projects that are funded under Brazilian trade credit or multilateral agency credit facilities. The Brazilian government offers export financing for construction and engineering services related to projects undertaken in many of these countries, which we rely upon as an important source of funding for our projects located in these countries, together with support from multilateral financial institutions, including CAF and the IDB. Our management believes that the higher margins we are able to earn from projects in these countries compensate us for the political risks that we are subject to as a result.
- We attempt to mitigate political risk through our experience and knowledge of the markets in which we are active and by entering into joint ventures with local companies and using local subcontractors, suppliers and labor. By establishing these partnerships with local entities, we also seek to integrate our operations into the communities in which we operate.
- We generally seek to establish long-term operations in countries in which we are active and seek appropriate project opportunities that meet our rigorous risk management criteria. Our long presence in countries such as Peru (31 years), Angola (26 years), and Venezuela (17 years), including during periods of social unrest or war, and our involvement in high visibility projects that are important to a country's economy and development, have earned us goodwill with the governments of these countries. Accordingly, while other construction companies generally avoid operating in certain of the countries in which we are active, our management believes that our extensive experience in these countries, our diversification and our extensive contract risk assessment and risk sharing with other project participants allow us to effectively manage the political risks presented by construction projects in these countries. In addition, to help cover certain risks, we have a comprehensive portfolio of insurance policies. As of June 30, 2010, our insurance coverage, which protects us against risks, such as engineering risk, operational risk and civil liability, totaled U.S.\$34,806.8 million, compared to U.S.\$35,172.5 million as of December 31, 2009. As of June 30, 2010, our surety bond coverage, which ensures execution and performance of construction works, amounted to U.S.\$6,016.2 million, compared to U.S.\$7,422.9 million as of December 31, 2009.

- We seek to obtain approximately 10% to 15% down payment on the execution date of project contracts with customers outside of Brazil. As of June 30, 2010, we had R\$1,459.2 million in short-term advances from customers and R\$3,805.9 million in long-term advances from customers.
- Our strategy involves concentrating our business into more profitable markets and projects. When our management no longer believes that a particular market continues to meet our long-term objectives, we act to close or phase out our operations in these markets. In the 1990s, for example, we closed offices in the United Kingdom, Germany and South Africa.

Enhancing Human Resources

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

Pursuing International Opportunities

We are the market leader for engineering and construction projects in Brazil, Angola and certain other countries in Latin America and will continue to pursue business opportunities and strategic alliances in selected projects that will improve our market share and competitiveness. We intend to leverage our experience to broaden our presence in selective international markets and to pursue and develop growth opportunities in these markets. Considering our operations in Angola and more recently in Mozambique and Libya, there is a possibility that we might seek to further increase our operations in Africa.

Focusing on Complex Large-Scale Construction Opportunities and Concession Projects

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

Offering Our Customers Differentiated Services

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

Company History

We were founded in 1944 and commenced our operations in the northeastern region of Brazil, where we were active in the construction of industrial plants, warehouses, small dams, highways, buildings and canals. In 1970, we began to expand our operations into southern Brazil, concentrating initially in Rio de Janeiro with the construction of the headquarters of Petrobras in 1970; Brazil's first nuclear power plant, the Central Nuclear de Angra dos Reis in 1971; the Rio de Janeiro international airport in 1971; and the Rio de Janeiro State University in 1972. In Peru, we won the contract for the construction of the Charcani Hydroelectric Plant in 1979. In the early 1980s, we began to expand our work to projects located outside Brazil. In 1984, we began the construction of the Capanda Hydroelectric Project on Angola's Kwanza river, and in 1991 we started the construction of the southern

extension of the Metromover, part of Miami's urban mass transportation system. In 1996, the Odebrecht Group reorganized its holdings into two principal business areas: (1) engineering and construction through our company; and (2) chemicals and petrochemicals through Braskem. In 2004, we began operations in the Middle East, completing two projects in Iraq with the United States Army Corps of Engineers with a total cost of U.S.\$86 million. We are not currently operating in Iraq. In 2007, we began operations in Libya, constructing the Tripoli Airport and the 3rd Ring Road. In 2008, we began operations in Mozambique, developing the infrastructure logistics of a coal mine for Vale. In 2009, we re-entered Colombia through the Ruta del Sol project, the expansion and maintenance of a road that connects central Colombia to the Cartagena port region.

Corporate Reorganization

As a measure of our management's determination to continue to focus our business on providing engineering and construction services, in 2004, we commenced a corporate reorganization, or the Corporate Reorganization, which involved, among other actions, the transfer of certain assets and equity interests in our infrastructure, oil and gas and real estate businesses to subsidiaries of Odebrecht at the end of October 2007. As part of the Corporate Reorganization, the following two Brazilian limited liability companies commenced operations as subsidiaries of Odebrecht:

- OOG, which focuses on the oil and gas industry; and
- OEI, which focuses on the real estate sector. In May 2009 OEI changed its name to OR. In May 2010, an investment fund managed by Gávea Investimentos acquired a 14.5% equity interest in OR.

In July 2007, Odebrecht formed ETH Bioenergia S.A., which focuses on sugar and ethanol production in Brazil. In February 2010, ETH Bioenergia S.A. merged into Brenco Holding S.A., a Brazilian sugar and ethanol company, and the merged entity was named ETH. Odebrecht owns, indirectly through ETH Investimentos S.A., approximately 49.67% of the capital stock of ETH while the remaining capital stock of ETH is owned by Sojitz Corporation, a Japanese conglomerate, BNDES Participações S.A. – BNDESPAR and other private equity funds.

In addition, in June 2008, Odebrecht incorporated OEA, a company focused on the environmental sector. In August 2009, OEA changed its name to Foz do Brasil S.A. In October 2009, FGTS Infrastructure Investment Fund (FI-FGTS) acquired 26.53% of the equity interest of Foz do Brasil by fully subscribing to an issuance of its shares for R\$650.0 million.

In November 2008, ODBPAR merged into CNO and, as a result of this merger, our capital stock increased by R\$64.9 million. Through this merger, Odebrecht became our sole shareholder.

In December 2008, all equity interests held by OII, in companies operating in the environmental sector (including water, sewage and sanitation services) were transferred to OEA.

On December 31, 2008, at an extraordinary shareholders' meeting, our shareholders approved an increase in our capital stock in the aggregate amount of R\$151.5 million pursuant to an issuance of 10,816,218 and 7,868,900 of our common and preferred shares, respectively, to ODB in exchange for its transfer of 20,685,872 of preferred shares of Braskem. This amount was equivalent to the book value of these shares as of the date of their transfer.

In 2010, OTP was formed to focus on the transportation and logistics sector.

Principal Subsidiaries

We conduct our engineering and construction operations in more than 15 countries. Our principal subsidiaries are:

Bento Pedroso Construções S.A.

BPC, is a Portuguese corporation, and was acquired by the Odebrecht Group in 1988. It is involved principally in the construction of public and private works and the supply of related services in Portugal.

Odebrecht Construction, Inc.

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

CBPO Engenharia Ltda.

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

OSEC – Odebrecht Serviços de Engenharia e Construção S.A.

OSEC - Odebrecht Serviços de Engenharia e Construção S.A., a Brazilian corporation, is involved principally in the construction of public and private works and the supply of related services in Brazil. In August 2010, OSEC - Odebrecht Serviços de Engenharia e Construção S.A. changed its name to Construtora Norberto Odebrecht Brasil S.A.

Odebrecht Angola Projectos e Serviços Ltda.

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

Operations

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

Engineering, Procurement and Construction Services

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

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

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

our partners in the project provide all of the resources necessary for the project, including technical and administrative personnel, equipment, materials and subcontractors.

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

Heavy and Industrial Construction

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

The following table sets forth our consolidated gross revenues by contract type for the periods indicated:

	Six-month period ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
	(in millions of reais)				
Contract Type					
Dams & power plants ⁽¹⁾	1,536	2,712	4,680	2,066	1,016
Transportation ⁽²⁾	3,536	3,207	8,424	6,506	3,263
Building & manufacturing plants ⁽³⁾	243	585	936	2,070	1,114
Assembly & erection ⁽⁴⁾	983	1,005	1,872	2,814	1,525
Infrastructure ⁽⁵⁾	956	1,646	2,808	3,469	1,851
Total.....	7,254	9,155	18,720	16,925	8,769

(1) Including transmission lines.

(2) Ports and airports, bridges, tunnels and overpasses, roads, highways, railways, subways and mass transportation.

(3) Residential buildings and condos, hotels and resorts, stadiums, hospitals, prisons, schools, theaters, commercial and industrial buildings and governmental buildings.

(4) Industrial assembly, onshore and offshore platforms, oil and gas related works.

(5) Sewage and solid waste systems, water treatment plants, canals and irrigation.

The following table sets forth our consolidated gross revenues by location for the periods indicated:

	Six-month period ended June 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
	(in millions of reais)				
Location					
Brazil.....	3,053	2,443	5,684	4,008	2,705
Venezuela.....	1,192	1,561	3,948	3,374	1,964
Other Latin American countries.....	1,593	1,985	3,624	3,686	1,749
United States.....	214	293	515	514	321
Portugal.....	205	357	725	430	251
Angola.....	833	2,060	3,762	4,326	1,370
Other African countries.....	128	339	456	311	244
Others.....	36	117	6	276	165
Total.....	7,254	9,155	18,720	16,925	8,769

We have expanded our business internationally in order to broaden our client base and diversify the risk inherent in relying heavily on the Brazilian market, as well as to increase our revenues denominated in dollars and other currencies. Selective international expansion is an important goal for us. The percentage of our gross service revenues derived from international projects increased from approximately 30% in 1992 to 57.9% in June 30, 2010.

In the pursuit of our goal of balancing our domestically and internationally generated revenues, we have invested over the past 30 years in increasing our expertise, technology, equipment and human resources that we make available to our international projects. In order to mitigate risks associated with projects located outside Brazil, we seek to undertake projects in conjunction with local partners. We also have established alliances with international construction companies, such as Parsons Corporation and The Haskell Company in the United States, and ABB Group, ACS/Dragados Group and Impregilo Edilizia e Servizi S.p.A. in Europe, among others. We have consolidated our operations in Europe (mainly in Portugal) and in the United States (mainly in Florida). In addition, we generally count on financing from multilateral agencies such as the IDB, CAF and the Brazilian National Economic and Social Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, among others.

Major Projects

We have played an active role in the development of the infrastructure sector in Brazil and elsewhere in Latin America as well as in Angola, Portugal and other markets in which we have been active. As of December 31, 2009, we had a total of 157 projects underway, 87 of which were located outside Brazil. Brazil

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

- the Transnordestina railway (Piauí and Pernambuco), the D. Pedro I highway (Sao Paulo) and the Submarine Project (Rio de Janeiro);
- the Jeceaba Plant (Minas Gerais), the Aquapolo Project (São Paulo), Sugar-cane mills for ETH and Green Polyethylene petrochemical plant;
- several projects for Petrobras, including Petrobras' office headquarters in Vitória (Espírito Santo), REPAR refinery (Paraná); a natural gas plant in Rio de Janeiro, Platforms P-59 and P-60, Gasduc II pipeline (Rio de Janeiro), COMPERJ plant (Rio de Janeiro), REPAR gasoline plant (Paraná), a Polyethylene plant in Pernambuco, Osvat 30 Gas Pipeline (São Paulo) and the Renest Refinery (Pernambuco);
- the Santo Antônio Hydroelectric Power Plant (Madeira river, Rondonia), the Simplicio Hydroelectric Power Plant (Minas Gerais/Rio de Janeiro) and the "Light for All" program – phase II in the State of Minas Gerais;
- several important projects for Vale, including the Pier IV and the Salobo mine;
- the Ipanema Metro in the State of Rio de Janeiro and the Trensurb North Extension, Line 1, in the State of Rio Grande do Sul;
- the Rodoanel (Ring Road Highway) in the State of São Paulo; and
- Água Limpa Sewage (Espírito Santo), Macaé Sewage (Rio de Janeiro), Espírito Santo Sewage II (Espírito Santo), the Jaguaribe Sewage, (Bahia) and the Capivari Sewage system- II (São Paulo).

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

We have entered into a contract with the municipality of Rio de Janeiro to construct Transoeste Grota Funda – Rio 2016, an express corridor that will connect Barra da Tijuca to Santa Cruz in the Western zone of Rio de Janeiro (R\$549.3 million).

On August 11, 2010, as part of the Consortium Maracanã – Rio 2014, we entered into a contract with the State of Rio de Janeiro to refurbish and renovate Maracanã stadium in preparations for the 2014 World Cup (R\$705.6 million).

Angola

We have an established presence in Angola where we have been operating for over 26 years primarily in infrastructure projects, currently including the construction of the following major projects: (1) roads, such as Luanda's Expressways, Benguela Road, Capanda-Cacuso road, Ekunha road and the Golfe road; (2) Water and Sewage systems; (3) Viana Industrial Park; (4) Cambambe Hydroelectric Power Plant and Lucala-Uige Transmission Line; (5) Angola's Government Markets and the Center for Logistics and Distribution; (6) Zango Houses; (7) Belas Business Park; (8) Chevron Residential and Noblesse Residential condos; and (9) Catumbela Airport. Approximately four of the projects underway in Angola have been financed by BNDES, representing approximately 17% of our backlog in that country.

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

Venezuela

We have operated in Venezuela for the past 16 years despite political and economic volatility in Venezuela during this period. We are currently engaged in several projects in Venezuela, including: (1) the Orinoco III Bridge Project; (2) the El Dilúvio and the El Dilúvio Anzoategui Irrigation Projects; (3) the Tocoma Hydroelectric Power Plant, which is being partially financed by the IDB; (4) the Caracas Metro – Line 3, Line 5 and the Guarenas-Guatire line; and (5) the Metro Los Teques – Line 1 and 2, which is being partially financed by CAF and BNDES.

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

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

Other Countries in Latin America

We view Latin American countries as prospective markets for new opportunities where we can leverage Brazilian geopolitical relations and contribute to meeting the significant basic infrastructure needs in the region. In addition to Venezuela, we currently have a strong presence in Peru, Argentina, the Dominican Republic, Panama, Colombia and Mexico. Among our current projects in Latin America are: (1) the Chaglla Hydroelectric Power Plant, the metromover in Lima, the IIRSA Norte and the IIRSA Sur roads, the Trasvase Olmos project, and the Bayovart port, in Peru (total backlog of U.S.\$1.1 billion as of June 30, 2010); (2) the Palomino Hydroelectric Power Plant, Coral Road, Casabito Road, Duarte Road and the Samaná Aqueduct in the Dominican Republic (total backlog of U.S.\$516.7 million as of June 30, 2010); (3) the North and South gas pipelines, the Paraná de Las Palmas Water Treatment Plant and the YPF Repsol Refinery in Argentina (total backlog of U.S.\$817.4 million as of June 30, 2010); (4) Maden-Colón road, water treatment facilities, the Dos Mares Hydroelectric Power Plant, the Reurbanization of Curundu Heights and the Cinta Costeira road in Panama (total backlog of U.S.\$548.2 million as of June 30, 2010); Ruta del Sol Road and Canoas Sanitation System in Colombia (total backlog of U.S.\$688.5 million as of December 31, 2009); Mariel Port in Cuba (total backlog of approximately U.S.\$540 million as of June

30, 2010) and (5) the HydroAgrícola Michoacán irrigation project (U.S.\$19.6 million backlog as of June 30, 2010) in Mexico.

In January 2008, the Cuban branch of Companhia de Obras e Infra-estrutura, an indirect subsidiary of our company in Brazil, entered into an umbrella agreement with a Cuban entity establishing the general terms for the provision of engineering and construction services in Cuba. We will not incur payment risk in connection with the BNDES financing for this project as payment would be made to us by BNDES pursuant to an agreement with the government of Cuba. The only project currently in our Cuban backlog is the Mariel Port (total backlog of approximately U.S.\$540.1 million as of June 30, 2010).

United States

We commenced operations in the United States 19 years ago, where we have completed 58 projects in California, Florida, North Carolina, South Carolina and Louisiana with a total cost of over U.S.\$2.2 billion. In the United States, we have shifted from contractor to construction management work and are concentrating our operations in Florida, particularly in connection with low-risk/low-margin projects. This approach enables us to minimize our risk while gaining technical expertise in the United States. The largest projects currently in our United States backlog are as the Hurricane Flood Protection Levee in New Orleans for the US Army Corps of Engineers, , the Miami Orange Line, the construction of the Miami International Airport North Terminal, as well and the Miami International Airport People Mover Project, with a total backlog of U.S.\$360.3 million backlog as of June 30, 2010).

Portugal

Over the last several years, we have been involved in some of the most important construction projects in Portugal, including the Lisbon Metro and the Lusoponte Bridge Project. Through our subsidiary, BPC, we have also participated directly in bridge and road concessions covering a total of 459 km, including several large toll-road concessions: (1) Beiras Litoral IP-5; (2) Norace – Auto-estrada Norte; (3) Grande Porto; and (4) Costa da Prata. The two main projects now underway in Portugal are the Baixo Sabor Hydroelectric Power Plant, and the IC-17 Cril road, with a total backlog of U.S.\$165.2 million backlog as of June 30, 2010).

Middle East and Africa

We completed two projects in Iraq with the United States Army Corps of Engineers with a total cost of U.S.\$86 million.

We also completed the construction of a port facility (U.S.\$28 million) in Djibouti for a client located in the United Arab Emirates, and the construction of a port container terminal (U.S.\$90 million) located in the same port.

During 2007, through our subsidiary Libyan Brazilian Construction and Development (a joint venture in which CNO holds an equity interest of 60.0%, and the remaining 40.0% is held by Urban Development Holding Company, a Libyan construction company), we were awarded a contract for the construction of the Third Turnpike. Also in 2007, we were awarded a contract for the construction of the Tripoli Airport, as part of a consortium with Tav – Tepe Akfen Investment Construction and Operation Co. and its partner, LCCC – Libyan Consolidated Contractors Company. Our services in connection with these projects have been contracted on a cost-plus basis. Under the terms of the contracts relating to these projects, we are guaranteed reimbursement for of all of our costs incurred with the provision of our services and will receive a fixed fee in addition to the reimbursement of such costs. Contract backlog in Libya originating from these two projects totaled U.S.\$365 million as of June 30, 2010.

In 2008 we were awarded the Moatize mine project in Mozambique, to construct a coal mine and related infrastructure for our client Vale and in 2009 we were awarded the Nacala Airport project. Contract backlog in Mozambique originating from these two projects totaled U.S.\$159 million as of June 30, 2010.

In 2008, we also began operating in Liberia, where we had two contracts with our client Arcelor-Mittal (to construct a railway and an iron-ore mine). The iron-ore mine project was concluded in the first half of 2009. Phase

one of the railway was partially concluded and then cancelled by the client, as a result of capital expenditure postponement by Arcelor-Mittal. This cancellation did not represent a loss to us as it was a cost-plus fee contract and therefore we have been paid for all the costs we incurred, in addition to an administration fee. At the time of the cancellation of this contract, the total backlog was U.S.\$92 million. This contract is currently in the process of being reinstated as the client is resuming investments in the iron-ore mine.

Backlog

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

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

As of June 30, 2010:

- Our backlog represented approximately U.S.\$21.5 billion or over two years of future work; and
- As of June 30, 2010 we expect to complete approximately 20% of our total backlog by the end of 2010.

The following table sets forth our consolidated backlog for Brazil and outside Brazil as of June 30, 2010 and 2009 and December 31, 2009, 2008 and 2007 (in millions of U.S.\$):

	As of June 30,		As of December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
	(in millions of U.S.\$)				
Brazil	9,480	6,464	7,220	5,148	2,767
Outside Brazil	12,040	12,242	13,038	12,944	10,576
Total	21,520	18,706	20,258	18,092	13,343

During the last five years, we have successfully secured important international projects not only in Brazil, but also in Argentina, Angola, Colombia, the Dominican Republic, Libya, Mozambique, Panama, Peru, the United States, Portugal, Venezuela, and certain countries in the Middle East. New projects awarded during the six-month period ended June 30, 2010, had a total contract amount of U.S.\$2,853.8 million (plus acquisitions on existing contracts of U.S.\$3,276.8 million), of which U.S.\$4,633.3 million is for projects located in Brazil and U.S.\$1,497.3 million is for projects located outside Brazil. These projects include: (1) Submarine Project in Brazil (U.S.\$2,304 million); (2) Renest Refinery for Petrobras in Brazil (U.S.\$854 million); (3) Brenco/ETH Bio-fuel Plants in Brazil (U.S.\$650 million); (4) YPF Repsol Refinery in Argentina (U.S.\$261 million); (5) Mariel Port in Cuba (U.S.\$201 million); (6) Maden-Colón Road in Panama (U.S.\$186 million); (7) Pier IV for Vale in Brazil (U.S.\$135 million); and (8) Aquapolo Project for Foz do Brasil in Brazil (U.S.\$130 million)

The following table sets forth our backlog by country and type of contract as of June 30, 2010:

Country	Transportation	Building/ Manufacturing	Power	Assembly &	Infrastructure	Total
		Plants	Plants/Dams	Erection		
(unaudited)						
<i>(in millions of U.S.\$)</i>						
Brazil	3,977	84	2,623	2,224	572	9,480
Venezuela	2,873	-	634	-	1,249	4,756
Angola	898	638	181	14	287	2,017
Peru	351	-	680	35	21	1,087
Argentina	-	-	-	593	224	817
Colombia	618	-	-	-	70	688
Panama	199	-	28	-	321	548
Cuba	540	-	-	-	-	540
Dominican Republic	264	-	179	-	73	517
Libya	365	-	-	-	-	365
USA	256	-	104	-	-	360
Portugal	37	-	128	-	-	165
Mozambique	110	-	-	49	-	159
Mexico	-	-	-	-	20	20
Total	10,489	721	4,558	2,915	2,837	21,520

Other Activities

Although it is not our core business, we own equity interests in companies that conduct mineral prospecting and exploration in the diamond sector. Our indirect wholly-owned subsidiary Odebrecht Mining Services Inc., or OMSI, holds 16.4% of the Catoca Project, which undertakes prospecting, exploration, treatment and sale of diamonds and other minerals in the Luanda Sul Province of Angola. The Catoca Project has been granted permission from the Angolan government to exploit diamonds mined from the Catoca Kimberlite area. In addition, OMSI holds 50.0% of Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L., or SDM. SDM conducts prospecting, exploration, treatment and sale of diamonds extracted in an area of the Hydrographic Basin of Cuango River in respect of which the Angolan government has granted its permission.

Bidding and Contracts

Bidding Rules

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

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

Contracts for private-sectors projects tend to be awarded not only on bid prices and relevant experience, but also with regard to long-term relationships with the client and to the range of services and technical solutions being offered. As part of the shift to private-sectors investment in infrastructure facilities in Brazil and in certain jurisdictions outside Brazil, many Brazilian and international public and private-sectors clients have begun to require

that their projects be constructed on a turnkey (lump sum) basis with financing arranged by the parties participating in the construction of the project. As a result of the increased complexity of these projects, bids are frequently submitted by consortia. Our ability to win these bids is affected by the relative strengths and weaknesses of our partners in such consortium and the ability of the consortium in which we participate to obtain sufficient financing.

Contracts

We principally enter into civil engineering and construction contracts with government entities and government-related entities, such as state-owned utility companies, semi-autonomous railway and subway companies and private concessionaires of formerly government-controlled infrastructure. General provisions in these contracts tend to be similar, other than with respect to project-specific terms. Historically, many of these contracts have generally provided for payment on a unit price basis. A unit price (which we sometimes referred to as cost reimbursable) contract establishes a price per unit of work for each constituent element of the project, such as per cubic meter of earth or rock excavated or per cubic meter of concrete poured. Contracts include estimated volumes for each unit price element, and our bid price reflects our estimate of the costs that we expect to incur in respect of each work unit. In these contracts, we are generally, however, entitled to payment based on actual volumes required to perform the work to contractual specifications. The contracting authority therefore assumes the risk that the volume of units required for the project will exceed the volume estimated in the contract (that is, that the number of units of work exceeds estimates). We, on the other hand, assume the risk that our actual cost per unit of work may exceed our estimates used to calculate our bid pricing. Unit prices are generally subject to periodic adjustments for inflation or for changes in price for a particular unit of work.

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

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

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

Certain contracts to which we are a party deviate from the provisions described above. For example, certain contracts include requirements to purchase certain goods and services locally and may be governed by the local law of the jurisdiction in which the project is located. Our engineering and construction contracts also

frequently contain advance payment provisions (which is a risk mitigation measure) and often require performance bonds, letters of credit and/or performance bonds to cover performance and potential labor claims.

Insurance and Guarantees

One of the tools that our management applies to mitigate risks associated with our operations for each project is to obtain risk management advice, insurance and guarantees from Odebrecht Corretora de Seguros Ltda., or OCS, a wholly-owned subsidiary of Odebrecht. OCS operates as an in-house broker in respect of insurance policies and surety bonds for our projects within Brazil. For projects executed outside Brazil, OCS works together with several international insurance companies, including Marsh, Inc. as its international insurance and surety broker, and the American International Group, or AIG, Chubb International Surety, Swiss Reinsurance Company, Zurich Group and Zurich North America as some of its surety companies. We follow OCS' guidelines on insurance guarantees. These guidelines require insurance policies to cover multiple risks, such as property and construction all-risk (including environmental, geological and force majeure events), third party liability, personnel, life and equipment. These guidelines also recommend that the purchase of additional insurance be considered on a case-by-case basis.

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

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

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

The Odebrecht Group has an approximate U.S.\$9.0 billion revolving surety bond facility available to companies in the Group for performance, retention, maintenance, advance payment and other types of surety bonds customarily given on behalf of contractors operating outside Brazil and increasingly, within Brazil, of which U.S.\$6.0 billion have been drawn under the facility. The Odebrecht Group allocates costs under this facility to Odebrecht Group companies' on going projects on a pro-rata basis based on the aggregate amount of surety bonds used by these projects.

In addition, we also enter into standby letters of credit and other bank guarantees customarily required to be provided by contractors. On December 31, 2009, we had standby letters of credit and other bank guarantees outstanding in the aggregate amount of U.S.\$997.8 million.

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

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

In the construction industry, a contractor's historical technical performance and level of success may be judged based on claims filed and paid by insurance companies on contracts fully or partially completed by the contractor. From 1990 through June 30, 2010, we had successfully completed and performed bonded contracts without having to pay any claims in relation to work performed by us or our subsidiaries.

Contract Administration and Dispute Resolution

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

Supplies

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

Since 1992, we have entered into non-exclusive, master supply contracts with certain large international suppliers of equipment and other suppliers that we use, including Caterpillar Inc., Komatsu Ltd., Dynapac Inc. of the Atlas Copco Group, Volvo Group, Liebherr Group, Ingersoll-Rand Company Limited, Herrenknecht AG and others. In effect, these arrangements are in the nature of “requirements” contracts: so long as quality is maintained, prices are competitive, schedules are met and performance specifications are achieved, we intend to buy our requirements for certain types of equipment from these suppliers. We work closely with these suppliers in order to achieve: (1) just-in-time delivery of necessary equipment when feasible and warehousing of equipment by suppliers if we do not require immediate delivery; (2) preferential and faster supplier response to specific equipment needs; (3) cost savings from high volume purchases and improved payment conditions; and (4) on going relations with important international suppliers.

Competition

We are the largest engineering and construction company in Latin America as measured by 2009 revenues. Most of our ongoing construction projects were awarded through a competitive bidding process. While price generally is the most important factor that determines whether we will be awarded a contract through competitive bidding procedures, other important factors in competitive bidding procedures include health, safety and environmental protection records, service quality, technological capacity and performance, as well as reputation, experience, access to funding sources and client relationships. In some cases, we can even be invited by one of our competitors to enter into a joint-venture with it for a particular project. The number of competitors for a contract will depend on a number of factors, including scale, complexity and scheduling of the project. In Brazil, our principal competitors include Andrade Gutierrez S.A., Camargo Corrêa S.A., Queiroz Galvão S.A. and Construtora OAS Ltda. A variety of other companies may bid on specific types of projects or on projects in specific regions of Brazil, but we believe that we have a competitive advantage with respect to other Brazilian engineering and construction companies as a result of our experience, reputation, capacity, efficiency, trained personnel, size, financial resources and technological capabilities.

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

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

invitations for bids. Second, our decentralized management approach has generally allowed us to efficiently manage projects. Third, our projects are often eligible for funding from the Brazilian government for service exports and from multilateral financial institutions.

Employees

As of June 30, 2010, we had 81,503 employees, 39,664 of whom were employed in Brazil and 41,839 of whom were employed outside Brazil. A significant percentage of our non-management employees were members of unions. We believe that we have good relations with our employees and the unions to which our employees belong.

As part of our human resources policy, we provide all our employees with life and health insurance. We and our subsidiaries have entered into an agreement with ODEPREV – Odebrecht Previdência, or ODEPREV, a private pension fund established by Odebrecht, as plan sponsor. ODEPREV offers its participants an optional plan, which is a defined contribution plan in which monthly and periodic participant contributions and annual and monthly sponsor contributions are made to individual pension savings accounts. Prior to October 2003, in addition to the optional plan, ODEPREV offered a basic plan, which covered life and disability risks that were fully covered by insurance companies, while the insurance premium was paid by us. On October 1, 2003, the *Secretaria de Previdência Complementar* (a Brazilian federal government authority responsible for the supervision of pension funds in Brazil) agreed with our request to cancel the basic plan. We replaced the basic plan with a life insurance plan under the same terms and conditions.

The Board of Trustees of ODEPREV annually establishes the plan's cost and the parameters for contributions to be made by the participants and their employers. With regard to the payment of benefits defined in the Optional Plan, the actuarial liability of ODEPREV is limited to the total value of the quotas held by its participants, and as a defined contribution plan, there may be no obligation or responsibility from the sponsoring company to ensure a minimum level of benefits to retiring participants. The contributions of our company and our subsidiaries for 2009 and 2008 amounted to R\$14.0 million and R\$12.2 million, respectively. During the six-month period ended June 30, 2010, these contributions amounted to R\$7.3 million, compared to R\$7.8 million in the corresponding period in 2009.

Property, Plant and Equipment

As of June 30, 2010, the net book value of our property, plant and equipment was R\$1,534.1 million (U.S.\$851.6 million). We believe that all of our facilities and equipment are in good operating condition.

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

Taxes

Income Tax

We are generally subject to Brazilian federal income tax at an effective rate of 25.0%, which is the standard corporate tax rate in Brazil. As of June 30, 2010, we had deferred income tax credits totaling R\$80.6 million (recorded as current and long-term assets).

Social Contribution

We are subject to a federal social contribution tax at an effective rate of 9.0%, the standard rate in Brazil. The rate fluctuated between 9.0% and 12.0% in 2000 and has been 9.0% since January 1, 2001. This tax is not deductible for federal income tax purposes.

Other Taxes

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

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

COFINS finances special social programs through the collection of a federal tax on gross revenues. COFINS was previously charged on a cumulative basis at a rate of 3.0% of our gross revenues, and was subsequently increased to 7.6% of our gross revenues. However, the effective increase in the tax rate for our company is much lower than 7.6% due to a change in the methodology for calculating COFINS that went into effect simultaneously with the tax increase. Under the current methodology, COFINS is charged on a non-cumulative basis, meaning that we may deduct a ratable portion of certain credits related to materials and other costs from our gross revenues, thereby effectively lowering our effective tax rate.

PIS finances special social programs in Brazil through the collection of a federal tax on gross revenues. PIS may be charged on a cumulative or non-cumulative basis, depending on the type of activities performed by the taxpayer. A taxpayer may be subject to both taxation regimes, in case they develop different kinds of activities. We pay PIS on a non-cumulative basis at a rate of 1.65%.

Provisional Tax on Bank Accounts

CPMF, is a provisional tax imposed on all financial transactions involving the transfer of funds from a bank account in Brazil. The CPMF tax rate has fluctuated between 0.2% and 0.38% since the adoption in 1997, and since March 18, 2001, the rate has been 0.38%. The Brazilian Congress had extended the applicability of this tax until December 31, 2007. As of January 1, 2008, the CPMF is no longer in force.

Legal and Regulatory Matters

Litigation and Other Adversarial Dispute Resolution

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

In 1997 and 1999, we were involved in three disputes with the State of São Paulo Public Prosecution Office arising from damages caused by alleged irregularities in our waste disposal contracts entered into with the City of São Paulo. In 2003 and 2005, we lost three separate proceedings in the trial court and were deemed ineligible to enter into additional service agreements with public authorities. In 2003 and 2005, we were granted an injunction by the STJ, which suspended the effects of the trial courts' decisions. We appealed the trial courts' decisions to the STJ, and on August 12, 2008, the STJ ruled against us in one of these appeals. Nonetheless, this decision had a partially favorable outcome to us in that it restricted the scope of the prohibition that was initially imposed on CBPO

and CNO. The decision clarified that (1) CNO was ineligible to enter into agreements only with a specific entity owned by the City of São Paulo (called LIMPURB), (2) CBPO was ineligible to enter into agreements only with the City of São Paulo and (3) the prohibition concerning the tax benefits for both CNO and CBPO was restricted to the City of São Paulo. Following this decision, we filed a motion to review the decision. This motion remains pending judgment. In respect of the other two pending disputes, the STJ has rendered a decision in our favor, which had the effect of cancelling both of the previously rendered trial courts' decisions.

In December 2009, a tax assessment notice was filed by the State of São Paulo against Consortium Propeno, a consortium in which we hold a 70% equity interest, alleging the non-payment of a tax on the circulation of goods and services in connection with services provided by this consortium with the supply of equipment to construct a propene gas processing plant for Petrobras. In January of 2010, the consortium presented its defense to the allegations. In June 2010, the consortium received an unfavorable decision from the lower administrative instance and filed an appeal. This matter remains pending. The amount in dispute is R\$214.0 million, R\$158.0 million of which consists of penalties. Based on the opinion of the external lawyers for this consortium, the probability of loss is "possible" with respect to the unpaid tax and "remote" with respect to the corresponding penalties.

As of June 30, 2010 and December 31, 2009, we had recorded an aggregate provision of R\$87.2 million and R\$87.3 million, respectively, in our current and long-term liabilities to cover: (1) legal indemnity expenditures related to employee termination costs, which is typical in our line of business, with the provision based on our history of similar disbursements and the opinion of our external counsel; and (2) expenses related to labor, tax and civil claims that, in the opinion of our management and external legal advisers, have a limited possibility of a favorable outcome. In addition, we and our principal subsidiaries were party, as of June 30, 2010 and December 31, 2009, to labor, civil and tax claims in the approximate aggregate amount of R\$482.4 and R\$462.5 million, respectively, for which we have not recorded any provision for losses, because, in the opinion of our management and our external legal advisers, a decision in connection with these claims is likely to be favorable to us with no expected resulting material losses related thereto.

Regulatory

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

Environmental Matters

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

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

Safety

Our policy establishes that the management in charge of each project is primarily responsible for compliance with our company's requirements and the performance targets concerning protection and safety of all our workers. The same requirements apply equally to our subcontractors and partners on each of our construction contracts.

Our occupational health and safety management system was OHSAS 18001 Certified by the Bureau Veritas Quality International initially on December 12, 2002. Subject to the continued satisfactory operation of our safety management system, this certification is valid for a period of three years. Revalidation of our safety management system certification occurred in August 2005. OHSAS 18001 certification requires us to be proactive in identifying potential hazards and evaluating and controlling work-related risks. Certification and compliance with international standards for occupational health and safety practices allows us to reduce risk, remain in compliance with legal requirements and improve our overall performance.

THE ISSUER

Odebrecht Finance is a wholly-owned subsidiary of Odebrecht and was incorporated in the Cayman Islands as an exempted company with limited liability on January 30, 2007 for an unlimited period. The registered office of the issuer is located at the offices of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands.

Odebrecht Finance is governed under the laws of the Cayman Islands registered and filed under number 181323. According to the laws of the Cayman Islands, in a company limited by share such as the issuer, the liability of each member in respect of the shares it holds in Odebrecht Finance is limited to the amount from time to time unpaid on such member's shares.

The objects for which Odebrecht Finance is established are unrestricted and without limitation, including to enter into and conduct financial transactions, and to participate in pension funds, and Odebrecht Finance shall have full power and authority to carry out any object not prohibited by the Companies Law (2009 Revision) or as the same may be revised from time to time or any other law of the Cayman Islands, as referred in its Memorandum of Association.

The issuer does not have subsidiaries or equity participation in any undertaking and prepares its financial statements on an unconsolidated basis.

The financial information contained in this offering memorandum includes audited consolidated financial statements of Odebrecht Finance as of and for the years ended December 31, 2009 and 2008 and as of and for the period from January 30, 2007 to December 31, 2007, which have been audited by its independent accountants, as stated in their report included elsewhere in this offering memorandum. Odebrecht Finance's unaudited consolidated financial statements as of and for the six-month periods ended June 30, 2010 and 2009, which have been subjected to a limited review by its independent accountants, are also included in this offering memorandum. The directors of Odebrecht Finance are Messrs. Jayme Gomes da Fonseca Junior, Adriano Chaves Jucá Rolim and Paulo Oliveira Lacerda de Melo. Their business address is Avenida das Nações Unidas, 8501, 32nd Floor (Jayme Gomes da Fonseca Junior is on the 28th floor), São Paulo, SP, CEP 05425-070, Brazil.

MANAGEMENT

Management of CNO

Pursuant to our by-laws (*estatuto social*), and Brazilian Corporate Law, we are currently administered by our executive officers (*Diretoria*). We currently have 18 executive officers. Our executive officers are responsible for determining our operating policies and guidelines for our business and our subsidiaries. We do not have a board of directors.

Each of our executive officers is elected for a two-year term and is eligible for re-election. Some of our executive officers were elected at our general shareholders' meeting held on April 27, 2007 and reelected on January 30, 2009, while other executive officers were elected at our general shareholders' meetings held on April 29, 2010 and July 1, 2010, respectively. Our articles of association do not include any citizenship or residency requirements.

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

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

Name	Position
Paulo Oliveira Lacerda de Melo	Chief Executive Officer
Benedicto Barbosa da Silva Junior	Vice-President
Henrique Serrano do Prado Valladares	Vice-President
Luiz Antonio Mameri	Vice-President
Márcio Faria da Silva	Vice-President
Adriano Chaves Jucá Rolim	Officer
Carlos Roberto Mendonça Alves Dias	Officer
João Antonio Pacífico Ferreira	Officer
Carlos Armando Guedes Paschoal.....	Officer
Sérgio Luis Neves	Officer
Valter Luis Arrada Lana	Officer
Fernando Sampaio Barbosa	Officer
Saulo Vinícius Rocha Silveira	Officer
Renato Augusto Rodrigues	Officer
Augusto Roque Dias Fernandes Filho	Officer
Márcio Polidoro	Officer
Jayme Gomes da Fonseca Junior	Officer
Roberto Lopes Pontes Simões	Officer

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

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

Paulo Oliveira Lacerda de Melo – Mr. Lacerda is our chief executive officer and has been our executive officer responsible for Brazil since 1996. He previously served as the chief executive officer of Tenenge Overseas Corporation from 1993 to 1996 and acted as our officer responsible for Angola from 1989 to 1992. On September 2, 1997, Mr. Lacerda was appointed as the Vice-President of our executive committee. He has also been a member of BPC's administrative council since December 28, 1998. He holds a civil engineering degree from the Escola Politécnica da Fundação de Ensino Superior de Pernambuco.

Benedicto Barbosa da Silva Junior – Mr. Silva Junior is one of our vice-presidents. He joined the Odebrecht Group in 1985 and was appointed as an executive officer of our company on September 4, 1998. He holds a civil engineering degree from the Escola de Engenharia de Lins – São Paulo.

Henrique Serrano do Prado Valladares – Mr. Valladares is one of our vice-presidents. He joined the Odebrecht Group as a trainee in 1977. In 1992, he was appointed as an executive officer of our company and in 1998 was elected President of BPC. In May 2002, he became responsible for our energy business. Mr. Valladares holds a degree in civil engineering from the Universidade Federal da Bahia.

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

Márcio Faria da Silva – Mr. Silva is one of our vice-presidents. He has been an executive officer of our company since September 1997. He was the Senior Officer for Tenenge Overseas Corporation from 1994 to 1996. He is a civil engineer and graduated in 1977 from the Escola de Engenharia da Fundação Mineira de Educação e Cultura.

Adriano Chaves Jucá Rolim – Mr. Jucá has been our general counsel since July 2002. He was general counsel of OPP Química S.A. from May 14, 2001 until April 30, 2002 and a member of the board of directors of Trikem S.A. from April 30, 1999 until May 14, 2001. He holds a law degree from the Pontifícia Universidade Católica de Salvador and a master's degree in comparative jurisprudence from New York University School of Law. He served as assistant to the general counsel of Odebrecht from July 1991 to January 1993. During 1993 and 1994, he served as general counsel of CMW Equipamentos S.A., an Odebrecht Group company, and he was a visiting attorney at Clifford Chance from June 1995 through September 1995. He acted as general counsel of Stelar Telecom Ltda., an Odebrecht Group company, from October 1995 to September 1997.

Carlos Roberto Mendonça Alves Dias – Mr. Dias has been an executive officer of our company since May 1997. He has been our Senior Officer for Institutional Relations since 1995. He was previously the Senior Foreign Relations Officer at Odebrecht from 1992 to 1994. He is an economist who holds a degree from the Universidade Federal da Bahia.

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

Carlos Armando Guedes Paschoal – Mr. Paschoal has been an executive officer of our company since January 2009. He represented CBPO in Mexico and, as of May 2002, he has been Country Officer in Portugal. Prior to working for Construtora Norberto Odebrecht, Mr. Paschoal worked for Construtora Andrade Gutierrez S/A. He holds a degree in Civil Engineering from Escola de Engenharia Mackenzie.

Sérgio Luis Neves – Mr. Neves has been an executive officer of our company since January 2009. He joined Construtora Norberto Odebrecht in 1986 and began working as Contract Manager in 1993. As Contract Manager he was responsible for several construction works in Brazil and other countries in Latin America. Mr. Neves holds a degree in Civil Engineering from Universidade Federal de Ouro Preto.

Valter Luis Arruda Lana – Mr. Lana has been an executive officer of our company since January 2009. He began working for the Odebrecht Group as assistant engineer, in 1977, and has worked in several structural projects. In 1994, he became Superintending Director for the Southern Region. Mr. Lana holds a degree in Civil Engineering by Escola de Engenharia da Universidade Mackenzie.

Fernando Sampaio Barbosa – Mr. Barbosa has been an executive officer of our company since January 2009. He began working for CNO in 1995 as Project Officer and became Contract Officer in 2003. Mr. Barbosa holds a degree in Civil Engineering by Politécnic Universidade Federal da Bahia.

Saulo Vinícius Rocha Silveira – Mr. Silveira has been an executive officer of our company since January 2009. From 2002 to 2005 he was a Contract Officer at Consorcio CNO Inepar/Fem for the Tucuruí hydropower station. He holds a degree in Electrical Engineering by Universidade Católica de Minas Gerais Renato Augusto Rodrigues – Mr. Rodrigues has been an executive officer of our company since January 2009. Prior to working for us, he worked for Tenenge (incorporated by us in 1986). Mr. Rodrigues holds a degree in Mechanical Engineering by Escola Federal de Engenharia de Itajubá and in Safety Engineering by Faculdade de Engenharia Santa Cecília.

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

Augusto Roque Dias Fernandes Filho – Mr. Fernandes Filho has been an executive officer of our company since January 2009. He joined the Odebrecht group, in 1985, as production manager. From 1997 to 2002, he worked as contract officer and was responsible for developing feasibility and construction projects for several hydroelectric power stations. Mr. Fernandes Filho holds a degree in civil engineering from Universidade Federal Fluminense.

Márcio Polidoro – Mr. Polidoro joined the Odebrecht group in 1988. He was communications officer of Odebrecht until 2008. Mr. Polidoro holds a degree in *Comunicação e Expressão* from Faculdade de Filosofia, Ciências e Letras de Araçatuba.

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

Roberto Lopes Pontes Simões – Mr. Simões has been an executive director of our company since April 2010. Prior to joining us, he was chief executive officer of Santo Antonio Energia, a hydroelectric plant concession project and an affiliate company of Odebrecht, and he also served as a vice-president of Braskem. He joined the Odebrecht Group in 1994 working for us as a contract director. He received a mechanical engineering degree from Universidade Federal da Bahia, along with studies in project engineering and petrochemical maintenance from UFBA-Petrobrás.

PRINCIPAL SHAREHOLDERS

CNO

CNO was formed on August 1, 1945. As of June 30, 2010, the aggregate amount of our issued and outstanding capital stock was R\$1,113.1 million represented by 163,298,200 common shares and 118,800,974 preferred shares. Our preferred shares have no voting rights, but would rank ahead of our common shares in the event of our liquidation. Each common share entitles the holder thereof to one vote at our shareholders' meetings. We have no established authorized share capital.

As of June 30, 2010, all of our total capital (except for qualifying directors shares) was owned by Odebrecht, which, in turn, is controlled by ODBINV S.A. ODBINV S.A. is a Brazilian corporation controlled by Kieppe Participações e Administração Ltda. (which owns 63.9% of the total and voting capital of ODBINV S.A.). Kieppe Participações e Administração Ltda. is a Brazilian limited liability company that is wholly-owned by the Odebrecht family. Certain members and officers of Odebrecht own the remaining capital of ODBINV S.A.

Dividends

Pursuant to Brazilian Corporate Law, and in accordance with the third paragraph of Article 21 of our by-laws, unless otherwise approved by all of our shareholders, we are required to make a minimum dividend payment to all of our shareholders during each fiscal year amounting to 25.0% of our annual net income during the previous fiscal year. We may declare and pay dividends in an amount greater than 25.0% of our annual net income, subject only to the limitation that such dividends may not exceed such net income and any distributable reserves available from previous fiscal years. We may also declare and pay dividends in an amount less than 25.0% of our annual net income if approved by our shareholders. In 2009, our shareholders approved the declaration and payment of dividends (including in the form of interest on shareholders' equity) in an aggregate amount less than 25.0% of our annual net income.

On December 31, 2009, we paid interest on shareholders' equity (*juros sobre capital próprio*) in an aggregate amount of R\$58.3 million. Our management paid dividends for the year ended December 31, 2009 in the amount of R\$110.0 million.

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

	Year ended December 31,				
	2009	2008	2007	2006	2005
	<i>(in thousands of reais)</i>				
Dividends.....	110,000	—	52,999	84,080	239,000
Interest on shareholders' equity	58,250	254,600	15,000	—	—
Total.....	168,250	254,600	67,999	84,080	239,000

RELATED PARTY TRANSACTIONS

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

In the ordinary course of our business, we engage in a variety of transactions with our subsidiaries, affiliates and other Odebrecht Group companies. Financial information with respect to certain material related party transactions is set forth in note 8 to our financial statements as of and for the six-month periods ended June 30, 2010 and 2009.

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

As of June 30, 2010, we were owed, in total, R\$ 1,325.2 million (R\$1,219.7 million as of June 30, 2009) as a result of inter-company transactions with certain affiliates of Odebrecht pursuant to a cash management agreement. On the other hand, as of June 30, 2010, we owed R\$ 338.3 million (R\$99.4 million as of June 30, 2009 to certain affiliates of Odebrecht). Changes in our long-term receivables and long-term liabilities as a result of the cash management agreement among certain affiliates of Odebrecht are more fully described in note 8 to our financial statements as of and for the six-month periods ended June 30, 2010 and 2009.

The Odebrecht Group is also the controlling shareholder of Braskem. We obtained preferred shares of Braskem in July 2007 when we converted debentures that had been issued by Braskem into preferred shares of Braskem (with an aggregate book value of R\$805.6 million) as more fully described in note 1 to our financial statements as of and for the six-month periods ended June 30, 2010 and 2009.

TERMS AND CONDITIONS

The Notes are to be issued under an indenture dated September 14, 2010 (the “Indenture”) among the Issuer, the Guarantor, The Bank of New York Mellon, as trustee (the “Trustee”), and certain other parties thereto. In this description, the terms “Issuer” and “Guarantor” refer only to the Issuer and the Guarantor, respectively, and not to any of their respective Subsidiaries. Where reference is made to Indenture, particular provisions of the Indenture or to defined terms not otherwise defined herein, the Indenture, those particular provisions or defined terms are incorporated herein by reference. Copies of the Indenture are available at the designated corporate trust office of the Trustee and also may be obtained from the Issuer. Certain capitalized terms used in these Terms and Conditions are defined in Section 13 hereof.

1. Status

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

The Notes will be perpetual notes with no fixed final maturity date.

The Notes will be unconditionally and irrevocably guaranteed (the “Guarantee”) by Construtora Norberto Odebrecht S.A. (the “Guarantor”). The Guarantee will constitute the direct, general and unconditional senior obligation of the Guarantor that will at all times rank at least equally with all other present and future unsecured senior obligations of the Guarantor, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

The Issuer may, without the consent of existing Holders of Notes, issue additional Notes having the same terms and conditions as the Notes, except that interest may accrue on the additional Notes from their date of issuance. Additional Notes issued in this manner will be consolidated and form a single series with the previously outstanding Notes.

2. Interest Rate

The Notes will bear interest at 7.50 % *per annum* commencing from September 14, 2010 until the principal thereof is paid or made available for payment. Interest will be payable on each Interest Payment Date and any Redemption Date.

Interest shall be payable in arrears on the Interest Payment Date(s) (as specified in the Notes) in each year. The Interest Payment Dates shall be quarterly on March 14, June 14, September 14 and December 14 of each year. The first payment of interest will be made on December 14, 2010. If any Interest Payment Date or Redemption Date, if any, falls on a day that is not a Business Day, the required payments of principal, premium, if any, and interest, if any, with respect to such Note will be made on the next succeeding Business Day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such Interest Payment Date or any such Redemption Date, as the case may be, to the date of such payment on the next succeeding Business Day.

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

3. Payment of Principal and Interest

Payments of interest will be made by mailing a check to the Holder at the address of such Holder appearing on the Register (as defined in the Indenture) at the close of business on the 15th calendar day (whether or not a Business Day) prior to any due date for the payment of interest on such Note (the “Regular Record Date”); *provided*,

however, that (a) interest payable on any Redemption Date shall be payable to the Person to whom principal shall be payable and (b) the first payment of interest on any Note originally issued between a Regular Record Date for such Note and the succeeding Interest Payment Date shall be made on the Interest Payment Date following the next succeeding Regular Record Date for such Note to the Holder. Notwithstanding the foregoing, at the option of the Issuer, all payments of interest on the Notes may be made by wire transfer of immediately available funds to an account at a bank located within the United States as designated by each Holder not less than 15 calendar days prior to the applicable payment date. A Holder of U.S.\$10,000,000 or more in aggregate principal amount of Notes of like tenor and terms with the same Interest Payment Date may demand payment by wire transfer but only if appropriate payment instructions have been received in writing by any Paying Agent with respect to such Note not less than 15 calendar days prior to the applicable payment date. In the event that payment is so made in accordance with instructions of the Holder, such wire transfer shall be deemed to constitute full and complete payment of such principal, premium and/or interest on the Notes.

Such designation will be made by filing the appropriate information with the Trustee at its Specified Office (as defined in the Indenture), and, unless revoked, any such designation made with respect to any Note by a Holder will remain in effect with respect to any further payments with respect to such Note payable to such Holder. If a payment with respect to any such Note cannot be made by wire transfer because the required designation has not been received by the Trustee on or before the requisite date or for any other reason, a notice will be mailed to the Holder at its registered address requesting a designation pursuant to which such wire transfer can be made and, upon the Trustee's receipt of such a designation, such payment will be made within 15 calendar days of such receipt.

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

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

Notwithstanding anything to the contrary in this Section 3, (1) if the Note is a Global Note deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"), principal and interest payments on the Note will be made to DTC, as the registered Holder of the Note in accordance with DTC's applicable procedures and (2) if the Note is a Global Note deposited with a common depository for, and registered in the name of a nominee for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream Banking"), principal and interest payments on the Note will be made to Euroclear and/or Clearstream Banking, as the registered Holder(s) of the Note in accordance with the applicable procedures of Euroclear and/or Clearstream Banking.

The Issuer and the Guarantor shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

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

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

4. **Redemption and Repurchase**

(a) *Optional Redemption*

The Notes will be redeemable, at the Issuer's option, in whole or in part, upon giving not less than 30 nor more than 60 days' notice to the Holders (which notice will be irrevocable), on September 14, 2015 or at any time occurring thereafter, *provided, however*, that if the Notes are redeemed in part, at least U.S.\$100,000,000 in aggregate principal amount of the Notes must remain outstanding following any partial redemption.

The redemption price payable by the Issuer is: (i) 100% of the aggregate principal amount of Notes to be redeemed as set out in the notice of redemption delivered pursuant to the terms of the Indenture (see "—Notice of Redemption"), plus (ii) accrued and unpaid interest, plus (iii) any other amounts accrued and unpaid under the terms of the Notes and the Indenture.

The payment of principal of or interest on the Notes on any redemption date shall be allocated on a *pro rata* basis among all Outstanding Notes, without preference or priority of any kind among the Notes.

(b) *Optional Tax Redemption*

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

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

(c) *Repurchase*

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

(d) *Procedure for Payment upon Redemption*

If notice of redemption has been given in the manner set forth herein, the Notes to be redeemed shall become due and payable on the Redemption Date specified in such notice and upon presentation and surrender of the Notes at the place or places specified in such notice, the Notes shall be paid and redeemed by the Issuer at the places and in the manner and currency therein specified and at the redemption price therein specified together with

any accrued interest to the Redemption Date. From and after the Redemption Date, if monies for the redemption of Notes called for redemption shall have been made available at the Specified Office of the Trustee for redemption on the Redemption Date, the Notes called for redemption shall cease to bear interest, and the only right of the Holders of such Notes shall be to receive payment of the redemption price together with any accrued interest to the Redemption Date as aforesaid. Notwithstanding any other provisions contained herein, any Affiliate of the Issuer may deliver a notice of redemption in the manner set forth herein and/or pay the redemption price in connection with any redemption of the Notes.

5. **Covenants**

For so long as any of the Notes remain outstanding or any amount remains unpaid on any of the Notes, the Issuer or the Guarantor will, and will cause its Subsidiaries to, comply with the terms of the covenants described below.

(a) *Payment of Interest*

The Issuer will punctually pay interest on the Notes on the dates and in the manner provided in paragraphs 2 and 3 of the Notes. One Business Day prior to each such date, the Issuer will irrevocably deposit with the Trustee or the other Paying Agents money sufficient to pay such interest.

The Issuer will pay interest on overdue installments of interest at the same rate to the extent lawful.

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

(b) *Maintenance of Office or Agency*

The Issuer and the Guarantor shall maintain an office or agency in the Borough of Manhattan, the City of New York, where notices to and demands upon the Issuer and the Guarantor in respect of the Indenture and the Notes may be served. Initially this office will be at the offices of National Corporate Research, Ltd., located at 10 East 40th Street, 10th Floor, New York, NY 10016, and the Issuer and the Guarantor will agree not to change the designation of such office without prior notice to the Trustee and designation of a replacement office in the Borough of Manhattan, The City of New York.

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

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

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

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

- (i) hold all sums held by it for the payment of the principal of or interest on Notes in trust for the benefit of the Persons entitled thereto until such sums will be paid to such Persons or otherwise disposed of as herein provided;
- (ii) give the Trustee notice of any default by the Issuer or Guarantor (or any other obligor upon the Notes) in the making of any payment of principal or interest; and

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

The Issuer or Guarantor will cause each Paying Agent (other than the Principal Paying Agent and the Luxembourg Paying Agent) to execute and deliver an instrument in which such Paying Agent shall agree with the Trustee to act as a Paying Agent in accordance with this Section 5(c).

The Issuer or Guarantor may at any time, for the purpose of obtaining the satisfaction and discharge of the Notes or for any other purpose, pay, or by Issuer Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Issuer or Guarantor or such Paying Agent, such sums to be held in trust by the Issuer or Guarantor or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Issuer or Guarantor or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent will be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Issuer or Guarantor, in trust for the payment of the principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable will be paid to the Issuer or Guarantor at the request of the Issuer or Guarantor, or (if then held by the Issuer or Guarantor) will be discharged from such trust; and the Holder of such Note will thereafter, as an unsecured general creditor, look only to the Issuer or Guarantor for payment thereof, and all liability of the Trustee with respect to such trust money, and all liability of the Issuer or the Guarantor as trustee thereof, will thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such payment, shall, upon request and at the expense of the Issuer or the Guarantor, cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in (i) the Borough of Manhattan, The City of New York and (ii) for so long as such Notes are listed on any Stock Exchange, upon publication in English in a leading newspaper of general circulation in the country in which such Stock Exchange is located, notice that such money remains unclaimed and that, after the date specified therein, which will not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer or the Guarantor.

(d) *Maintenance of Properties*

The Guarantor will, and will cause each of its Significant Subsidiaries to, maintain, preserve and protect all of its material properties and equipment necessary in the operation of its principal business in good order and condition, subject to wear and tear in the ordinary course of business; *provided*, however, that any such maintenance, preservation and protection of its material properties and equipment will not be required unless the failure to maintain, preserve and protect its material properties and equipment (i) would have a material adverse effect upon the financial condition of the Guarantor and its Subsidiaries considered as one enterprise, (ii) would have a material adverse effect on the performance of the Guarantor's obligations under the Notes or the Indenture, or (iii) is the direct result of a consolidation, merger, conveyance, transfer or lease undertaken in compliance with Section 5(i).

(e) *Additional Amounts*

(1) All payments by the Issuer or the Guarantor in respect of the Notes and the Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of The Cayman Islands or Brazil or, in each case, any political subdivision thereof or taxing authority therein (each, a "Taxing Jurisdiction"), unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor will pay to each holder such additional amounts ("Additional Amounts") as may be necessary in order that every net payment made by the Issuer or the Guarantor on each Note after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by the Taxing Jurisdiction will not be less than the amount then due and payable on such Note. The foregoing obligation to pay Additional Amounts, however, will not apply to:

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

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

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

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

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

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

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

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

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

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

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

(5) The Issuer or the Guarantor will:

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

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

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

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

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

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

(f) *Available Information*

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

(g) *Limitation on Liens*

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

(h) *Limitation on Transactions with Affiliates*

The Guarantor or any of its Subsidiaries shall not enter into any transaction (or series of related transactions) with any Affiliates, including any Investment, either directly or indirectly, unless such transaction or series of related transactions are on terms no less favorable to the Guarantor, or such Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's-length transaction with an unrelated third party. Notwithstanding the foregoing, this Section 5(h) shall not apply to (i) any loan or similar financial transaction (or series of related transactions) entered into for the purpose of performing cash management or other financial management functions by the Guarantor or any Subsidiary with the Guarantor, any Subsidiary or any other related parties, or (ii) any other transaction where the Guarantor determines in good faith on the date of entering into such transaction that it would not materially impair the Guarantor's ability to make principal or interest payments on the notes.

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

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

(A) The resulting, surviving or transferee Person (if not the Guarantor) shall be a Person organized and existing under the laws of Brazil or the United States of America, any State thereof or the District of Columbia or any other country that is a member country of the European Union or of the Organization for Economic Co-operation and Development and such Person shall expressly assume, by a supplement to the Indenture, executed and delivered to the Trustee, all obligations under the Guarantee and the Indenture;

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

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

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

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

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

such consolidation, merger, conveyance, lease or transfer is to become secured as to such property or assets by such Lien.

(j) *Limitation on Agreements Restricting Dividend Payments*

The Guarantor shall not, and shall not permit any Subsidiary to, directly or indirectly, enter into or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its Capital Stock or to make or repay loans or advances to the Guarantor or any other Subsidiary in accordance with their respective terms; *provided* that the foregoing will not apply to:

- (1) restrictions and conditions imposed by applicable law;
- (2) restrictions and conditions existing on the date of the Indenture and will apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition;
- (3) customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending that sale; *provided* that those restrictions and conditions apply only to the Subsidiary that is to be sold and that sale is permitted by the Indenture;
- (4) restrictions and conditions with respect to any Subsidiary that have been entered into to permit such Subsidiary to make an Investment instead of a Restricted Payment so long as such Investment is made within 12 months of the date that the Restricted Payment would have been otherwise declared and paid by such Subsidiary;
- (5) any agreement governing Debt; *provided* that (1) the encumbrance or restriction is not materially disadvantageous to the holders of the Notes than is customary in comparable financings and (2) the Guarantor determines that on the date of the Incurrence of such Debt, that such encumbrance or restriction would not be expected to materially impair the Guarantor's ability to make principal or interest payment on the Notes; *provided* that in any agreement governing Debt having an outstanding principal amount of U.S.\$20.0 million (or the equivalent thereof at the time of determination) or more, the Guarantor must deliver an Officer's Certificate to the Trustee confirming the same;
- (6) existing with respect to any person, or to the properties or assets of any person, at the time or within 365 days following the date that the person is acquired by the Guarantor or any Subsidiary of the Guarantor, which encumbrances or restrictions: (i) are not applicable to any other person or the properties or assets of any other person; and (ii) were not put in place in anticipation of such event (other than in connection with the financing for the acquisition of such person), and any extensions, renewals, replacements or refinancings of any of the foregoing;
- (7) with respect to any Subsidiary of the Guarantor and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or properties or assets of, such Subsidiary;
- (8) with respect to any Subsidiary of the Guarantor and imposed pursuant to a customary provision in a joint venture or other similar agreement with respect to such Subsidiary that was entered into in the ordinary course of business;
- (9) imposed by the standard loan documentation in connection with any loans to any Subsidiary of the Guarantor from (i) *Banco Nacional de Desenvolvimento Econômico e Social – BNDES* (including loans from *Financiadora de Estudos e Projetos – FINEP*), or any other Brazilian governmental development bank or credit agency or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official export-import credit insurer; and

(10) with respect to any agreement of any Subsidiary that is not prohibited by the Indenture *provided that* the Guarantor determines in good faith on the date of entering into such agreement that such encumbrance or restriction would not materially impair the Guarantor's ability to make principal or interest payments on the notes.

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

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

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

A holder may tender all or any portion of its Notes pursuant to an Offer to Purchase, subject to the requirement that any portion of a Note tendered must be in a multiple of U.S.\$1,000 principal amount and that the minimum holding of any holder must be no less than U.S.\$100,000. Holders shall be entitled to withdraw Notes tendered up to the close of business on the Expiration Date. On the Purchase Date the purchase price will become due and payable on each Note accepted for purchase pursuant to the Offer to Purchase, and interest on Notes purchased will cease to accrue on and after the Purchase Date.

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

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

The Guarantor agrees to obtain all necessary consents and approvals from the Central Bank for any remittance of funds outside of Brazil prior to making any Offer to Purchase. Any failure to obtain such consents and approvals shall constitute an Event of Default.

(l) *Reporting Requirements*

The Guarantor and the Issuer will provide the Trustee with the following reports (and will also provide the Trustee with sufficient copies of the following reports referred to in clauses (1) through (4) for distribution, at their expense, to all Holders of Notes):

(1) an English language version of the Issuer's annual audited non-consolidated financial statements prepared in accordance with International Financial Reporting Standards or Brazilian GAAP, as

the case may be, promptly upon such statements becoming available but not later than 120 days after the close of its fiscal year;

(2) an English language version of the Guarantor's annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards or Brazilian GAAP, as the case may be, promptly upon such statements becoming available but not later than 120 days after the close of its fiscal year;

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

(4) without duplication, English language versions or summaries of such other reports or notices as may be filed or submitted by (and promptly after filing or submission by) the Issuer and the Guarantor with the Luxembourg Stock Exchange or any other stock exchange on which the Notes may be listed (in each case, to the extent that any such report or notice is generally available to their security holders or the public in Brazil) or; and

(5) as soon as is practicable and in any event within ten calendar days after any director or executive officer of the Issuer or the Guarantor becomes aware of the existence of an Event of Default or Default, an officers' certificate setting forth the details thereof and what action the Issuer or the Guarantor proposes to take with respect thereto.

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

(m) *Waiver of Certain Covenants*

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

(n) *Covenant Suspension*

From and during any time that:

(a) the Notes have an Investment Grade rating from any two Rating Agencies, and

(b) no Default has occurred and is continuing, the Guarantor and its Subsidiaries will not be subject to the following provisions of the indenture (collectively, the "Suspended Covenants"):—"Limitation on Transactions with Affiliates;" and—"Limitation on Agreements Restricting Dividend Payments."

In the event that the Guarantor and its Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "Reversion Date") the Notes cease to have an Investment Grade Rating from any two Rating agencies, then the Guarantor and its Subsidiaries will thereafter again be subject to the Suspended Covenants. The period of time between the Suspension Date and the

Reversion Date is referred to as the “Suspension Period.” Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with any of the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

The Issuer or the Guarantor will give the Trustee written notice of any Suspended Covenant no later than five (5) Business Days after the Suspension Date. In the absence of such notice, the Trustee shall assume the Suspended Covenants apply and are in full force and effect. The Issuer or Guarantor will give the Trustee written notice of any occurrence of a Reversion Date no later than five (5) Business Days after such Reversion Date. After any such notice of the occurrence of a Reversion Date, the Trustee shall assume the Suspended Covenants apply and are in full force and effect.

(o) *Limitations and Restrictions on the Issuer*

(1) The Issuer shall not engage in any business or enter into, or be a party to, any transaction or agreement other than in connection with (A) the issuance, sale, redemption or repurchase of Debt permitted to be Incurred by the Indenture and activities incidentally related thereto; (B) the entering into import and export financing transactions; (C) the entering into Hedging Obligations; (D) activities described in its organization documents; (E) the Issuer’s ability to make remittances to Brazil; (F) to enter into any loan, corporate or financial transaction (or series of related transactions) entered into for the purpose of performing cash management, corporate or other financial management functions by the Issuer with any member of the Odebrecht Group; (G) as required by law and (H) in order to maintain its corporate existence;

(2) The Issuer shall not create, incur, assume or suffer to exist any Debt other than any Debt (A) incurred solely for the purpose of complying with its obligations under the Notes, (B) the issuance of additional Notes, (C) in respect of Hedging Obligations related to its Debt, (D) that is guaranteed by any member of the Odebrecht Group or (E) permitted to be Incurred by the Indenture;

(3) The Issuer shall not create, assume, incur or suffer to exist any Lien upon or with respect to any of its properties or assets except for Permitted Liens (it being understood that references to Guarantor in “Permitted Liens” shall refer to the Issuer for this Section (r));

(4) The Issuer shall not enter into any consolidation, merger, amalgamation, joint venture or other form of combination with any Person, and shall not sell, lease, convey or otherwise dispose of all or substantially all of its assets, unless:

(A) The resulting, surviving or transferee Person (if not the Issuer) shall be a Person organized and existing under the laws of Brazil or the United States of America, any State thereof or the District of Columbia or any other country that is a member of the European Union or of the Organization for Economic Co-operation and Development and such Person shall expressly assume, by a supplement to the Indenture, executed and delivered to the Trustee, all obligations under the Notes and the Indenture;

(B) Immediately after giving effect to such transaction (and treating any Debt that becomes an obligation of the resulting, surviving or transferee Person as a result of such transaction as having been incurred by such Person at the time of such transaction), no Default will have occurred and be continuing; and

(C) The Issuer shall have delivered to the Trustee an officers’ certificate and an opinion of independent legal counsel of recognized standing, each stating that such consolidation, merger or transfer and such supplement to the Indenture, if any, comply with the Notes and the Indenture.

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

(5) The Issuer shall not amend, supplement, waive or modify, or consent to any amendment, supplement, waiver or modification of organizational documents except in accordance with the provisions of this Section (r)(5). Any provision of any organizational document may be amended, waived, supplemented, restated, discharged or terminated without the consent of the Holders; *provided* that such amendment, waiver, supplement or restatement does not result in a Default or Event of Default; and *provided, further*, that the Trustee shall have received prior notice thereof together with copies of any documentation related thereto. Any amendment, waiver, supplement or restatement of any organizational document (including any exhibit thereto) that would result in a Default or Event of Default shall require the written consent of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes).

(p) *Substitution of the Issuer*

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

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

(B) if the Substituted Issuer is organized in a jurisdiction other than the Cayman Islands, the Issuer Substitution Documents will contain covenants (1) to ensure that each Holder of Notes has the benefit of a covenant in terms corresponding to the obligations of the Issuer in respect of the payment of Additional Amounts; and (2) to indemnify each Holder and beneficial owner of Notes against all taxes or duties (a) which arise by reason of a law or regulation in effect or contemplated on the effective date of the substitution, which may be incurred or levied against such Holder or beneficial owner of Notes as a result of the substitution and which would not have been so incurred or levied had the substitution not been made and (b) which are imposed on such Holder or beneficial owner of Notes by any political subdivision or taxing authority of any country in which such Holder or beneficial owner of the Notes resides or is subject to any such tax or duty and which would not have been so imposed had the substitution not been made;

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

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

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

(F) the Issuer or the Substituted Debtor shall have delivered to the Trustee an officers’ certificate and an opinion of independent legal counsel of recognized standing, each stating that such substitution and such supplement to the Indenture, if any, comply with the Notes and the Indenture;

(G) the Substituted Debtor and the Issuer have obtained all material governmental approvals and consents required by applicable law for such substitution and for the performance by the Substituted Debtor of its obligations under the Issuer Substitution Documents; and

(H) the stock exchange which has the Notes listed thereon shall have confirmed within three months of the execution of the Issuer Substitution Documents in writing that following the proposed substitution of the Substituted Debtor, the Notes would continue to be listed on such stock exchange, or if such confirmation is not received within such time period or such continued listing is impracticable or unduly burdensome, the Issuer or the Guarantor may delist the Notes from such exchange on which the Notes are listed; and, in the event of any such delisting, the Substituted Issuer or the Guarantor shall use commercially reasonable efforts to obtain an alternative admission to listing, trading and/or quotation of the Notes by another listing authority, exchange or system within or outside the European Union as it may reasonably decide, provided, that if such alternative admission is not available or is, in the Issuer and the Guarantor's reasonable opinion, unduly burdensome, the Issuer and the Guarantor shall have no further obligation in respect of any listing of the Notes.

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

6. **Events of Default**

“Event of Default” means, when used herein, any one of the following events (whatever the reason for such Event of Default and whether it will be voluntary or involuntary or be effected by operation of law or pursuant to, or as a result of any failure to obtain, any authorization, order, rule, regulation, judgment or decree of any governmental or administrative body or court):

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

(2) the Guarantor fails to comply with any of the covenants under “Limitation on Liens,” and such failure continues for 30 days after the written notice specified below;

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

(4) the Issuer, the Guarantor or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by the Issuer, the Guarantor or any such Significant Subsidiary (or the payment of which is guaranteed by the Issuer, the Guarantor or any such Significant Subsidiary) whether such Debt or guaranty now exists, or is created after the date of the Indenture, which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default (“Payment Default”) or (b) results in the acceleration of such Debt prior to its expressed maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals U.S.\$50,000,000 (or the equivalent thereof at the time of determination) or more in the aggregate;

(5) one or more final judgments or decrees for the payment of money in excess of U.S.\$50,000,000 (or the equivalent thereof at the time of determination) (other than judgments covered by enforceable insurance policies issued by reputable and creditworthy insurance companies) in the aggregate are rendered against the Issuer, the Guarantor or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(6) (i) the Issuer, the Guarantor or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or files a request or petition for a writ of execution to initiate bankruptcy proceedings or have itself adjudicated as bankrupt;

(B) applies for or consents to the entry of an order for relief against it in an involuntary case;

(C) applies for or consents to the appointment of a Custodian of it or for any substantial part of its property;

(D) makes a general assignment for the benefit of its creditors;

(E) proposes or agrees to an accord or composition in bankruptcy between itself and its creditors; or

(F) files for a reorganization of its debts (judicial or extrajudicial recovery);
or

(ii) A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Issuer, the Guarantor or any Significant Subsidiary in an involuntary case;

(B) appoints a Custodian of the Issuer, the Guarantor or any Significant Subsidiary or for any substantial part of the property of the Company, the Guarantor or any Significant Subsidiary;

(C) orders the winding up, or liquidation of the Issuer, the Guarantor or any Significant Subsidiary;

(D) adjudicates the Issuer, the Guarantor or a Significant Subsidiary as bankrupt or insolvent;

(E) ratifies an accord or composition in bankruptcy between the Issuer, the Guarantor or a Significant Subsidiary and the respective creditors thereof; or

(F) grants a judicial or extrajudicial recovery to the Issuer, the Guarantor or a Significant Subsidiary;

and the order or decree remains unstayed and in effect for 60 days; *provided* that the Issuer may commence a voluntary liquidation (or similar action) if such liquidation (or similar action) is in

connection with the transfer of all or substantially all of its assets in compliance with the covenant under “—Limitation and Restrictions on the Issuer.”; and

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

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

If an Event of Default (other than an Event of Default specified in clause (6) of Section 6) occurs and is continuing, the Trustee or the Holders of not less than 25% in principal amount of the Notes then outstanding may declare all unpaid principal of and accrued interest on all Notes to be due and payable immediately, by mailing a notice in writing to the Issuer and the Guarantor, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (6) of Section 6 occurs and is continuing, then the principal of and accrued interest on all Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder.

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

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

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

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

7. Meetings, Modification and Waiver

The Indenture contains provisions for convening meetings of Holders of Notes to consider matters affecting their interests. A meeting of the Holders of Notes may be called by the Trustee, the Issuer or the Holders of at least 25% in principal amount of the outstanding Notes. The Issuer will not be responsible for the costs of any such meeting that is called solely by the Holders of at least 25% in principal amount of the outstanding Notes but will be responsible for the costs of any meeting called by the Issuer or by the Trustee.

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

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

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

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

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

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

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

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

- (a) adding to the covenants of the Issuer for the benefit of the Holders of the Notes;
- (b) surrendering any right or power conferred upon the Issuer;
- (c) securing the Notes pursuant to the requirements thereof or otherwise;
- (d) evidencing the succession of another corporation to the Issuer and the assumption by any such successor of the covenants and obligations of the Issuer in the Notes and in the Indenture pursuant to any merger, consolidation or sale of assets;
- (e) correcting any ambiguity, inconsistency or defective provision contained in the Indenture or in the Notes;
- (f) making any modification, or granting any waiver or authorization of any breach or proposed breach of any of the terms and conditions of the Notes or any other provisions of the Indenture in any manner which the Issuer may determine and which does not adversely affect the interest of any Holders of Notes in any material respect;
- (g) making any modification which is of a minor or technical nature or correcting a manifest error; or
- (h) conforming the Indenture to the provisions of set forth in these Terms and Conditions.

The Trustee will designate the record date for determining the Holders of Notes entitled to vote at any meeting and will provide notice to Holders of Notes in the manner set forth in the Indenture. The quorum at any meeting of Holders of Notes called to adopt a resolution will be Persons holding or representing a majority in aggregate principal amount of the outstanding Notes the vote or consent of which is required to adopt such resolution and at any adjourned meeting will be Persons holding or representing 25% in aggregate principal amount of the outstanding Notes the vote or consent of which is required to adopt such resolution. Any instrument given by or on behalf of any Holder of a Note in connection with any consent to any such modification, amendment or waiver will be irrevocable once given and will be conclusive and binding on all subsequent Holders of such Note. Any modifications, amendments or waivers to the Indenture or to the terms and conditions of any Notes will be conclusive and binding on all Holders of such Notes, whether or not they have given such consent or were present at any meeting.

The Holder of a Note may, at any meeting of Holders of Notes at which such Holder is entitled to vote, cast one vote for each U.S. dollar in principal amount of the Notes held by such Holder in which such Notes are denominated. Where Notes are denominated in one or more Specified Currencies other than U.S. dollars, the U.S. dollar equivalent of such Notes shall be calculated at the Market Exchange Rates on the date of such meeting or, in the case of written consents or notices, on such dates as the Issuer shall designate for such purpose. The information about the trustee are displayed at the back cover page of this offering memorandum. Copies of the contracts relating to this representation will be available during normal business hours for inspection at the offices of the trustee.

8. Replacement of Notes

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

9. Notices

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

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

10. Currency Indemnity

Any amount received or recovered in a currency other than the currency (the “Denomination Currency”) in which such Note is denominated or in which such amount is payable, whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer or otherwise (the “Judgment Currency”), by the Holder of the Notes in respect of any sum expressed to be due to it from the Issuer or

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

11. **Prescription**

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

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

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

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

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

Service of process personally delivered upon the agents specified in the preceding paragraph and written notice of such service delivered to the Issuer and the Guarantor shall be deemed in every respect effective service of process upon the Issuer and the Guarantor, *provided, however*, that no notice by mail on the Issuer and the Guarantor or any of its agents shall be deemed effective service of process.

13. **Certain Definitions**

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

“Additional Amounts” has the meaning specified in Section 5(e).

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

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

“Bankruptcy Law” means (i) Title 11, United States Code or any similar U.S. federal or state law for the relief of debtors or the administration or liquidation of debtors’ estates for the benefit of their creditors, and (ii) the Brazilian Bankruptcy Law or any similar Cayman Islands or Brazilian federal or state law for the relief of debtors or the administration or liquidation of debtors’ estates for the benefit of their creditors.

“Brazilian GAAP” means, collectively, the accounting principles prescribed by Brazilian Corporate Law, the rules and regulations issued by applicable regulators, including the CVM, as well as the technical releases issued by the Brazilian Institute of Accountants (*Instituto Brasileiro de Contadores*), in each case as in effect from time to time.

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

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

“Change of Control” means:

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

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

“Contingent Obligation” means any obligation, contingent or otherwise, of any person directly or indirectly guaranteeing any Debt or other obligation of any person and any obligation, direct or indirect, contingent or otherwise, of such person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

provided, however, that the term “Contingent Obligations” shall not include endorsements for collection or deposit in the ordinary course of business.

“Custodian” means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

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

“Debt” means, as applied to any Person, without duplication:

(1) the principal of and premium, if any, in respect of (a) indebtedness of such Person for money borrowed and (b) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable;

(2) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

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

(4) all Hedging Obligations;

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

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

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

“Equity Interests” means all Capital Stock and all warrants or options with respect to, or other rights to purchase, Capital Stock, but excluding Debt convertible into equity.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

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

“Incur” means, with respect to any Debt or Capital Stock, to incur, create, issue, assume or Guarantee such Debt or Capital Stock. The accretion of original issue discount or payment of interest in kind will not be considered an Incurrence of Debt.

“Interest on Capital” means *juros sobre capital próprio* paid pursuant to Brazilian Law No. 9249/95 as may be amended or replaced.

“Investment” means, for any Person, (a) the acquisition (whether for cash, property, assets, services, securities or otherwise) of Capital Stock, bonds, notes, debentures, partnership or other ownership interests or other securities of any other Person or any agreement to make any such acquisition (including any “short sale” or any sale of any securities at a time when those securities are not owned by the Person entering into that sale, and including advances made to a corporation with respect to any future capital increase to be made by that corporation), (b) the making of any deposit with, or advance, loan or other extension of credit to, any other Person (including the purchase of property or assets from another Person subject to an understanding or agreement, contingent or otherwise, to resell that property or those assets to that Person), but excluding any such advance, loan or extension of credit having a term not exceeding 90 days arising in connection with the sale of inventory or supplies by that Person in the ordinary course of business or (c) the entering into of any Contingent Obligation.

“Investment Grade” means BBB- or higher by S&P, Baa3 or higher by Moody’s or BBB- or higher by Fitch, or the equivalent of such global ratings by S&P, Moody’s or Fitch.

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

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

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

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

“Permitted Holders” means any or all of the following:

- (a) the Odebrecht Group; and
- (b) any Affiliate thereof.

“Permitted Liens” means, with respect to any Person:

- (1) any Lien existing on the date of the Notes, and any extension, renewal or replacement thereof or of any Lien referred to in clause (1), (2), (3) or (4) below; *provided, however*, that the total amount of Debt so secured is not increased plus any premiums, fees and expenses in connection with such extension, renewal or replacement;
- (2) any Lien on any property or assets (including Capital Stock of any Person) securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the Notes; *provided that* (i) the aggregate principal amount of Debt secured by the Liens shall not exceed (but may be less than) the cost (*i.e.*, purchase price) of the property or assets so acquired, constructed or improved and (ii) the Lien is incurred before, or within 365 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or

assets of the Guarantor or any Subsidiary; and *provided, further*, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the Person so acquired;

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

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

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

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

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

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

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

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

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

(12) any Liens on the inventory or receivables and related assets of the Guarantor or any Subsidiary securing the obligations of such Person under any lines of credit or working capital facility or in connection with any structured export or import financing or other trade transaction; *provided* that the

aggregate principal amount of Debt incurred that is secured by receivables that shall fall due in any calendar year shall not exceed (i) with respect to transactions secured by receivables from export sales, 80% of the Guarantor's consolidated gross revenues from export sales for the immediately preceding calendar year or (ii) with respect to transactions secured by receivables from domestic (Brazilian) sales, 80% of such Person's consolidated gross revenues from sales within Brazil for the immediately preceding calendar year; and *provided, further*, that Advance Transactions shall not be deemed transactions secured by receivables for purpose of the above calculation; and

(13) in addition to the foregoing Liens set forth in clauses (1) through (12) above, Liens securing Debt of the Guarantor or any Subsidiary (including, without limitation, guarantees of the Guarantor or any Subsidiary) which do not in aggregate principal amount, at any time of determination, exceed the greater of U.S.\$200,000,000 or 15.0% of Total Consolidated Assets.

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

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

"Rating Agency" means (i) S&P, (ii) Moody's or (iii) Fitch.

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

"Redemption Date" means the date of redemption of the Notes pursuant to the terms and conditions of the Indenture.

"Restricted Payment" means any dividend, Interest on Capital or other distribution (whether in cash, securities or other property) with respect to any shares of Capital Stock of the Guarantor or any of its Subsidiaries, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such shares of Capital Stock of the Guarantor or any of its Subsidiaries or any option, warrant or other right to acquire any such shares of Capital Stock of the Guarantor or any of its Subsidiaries.

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

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

"Total Consolidated Assets" means the total amount of assets of the Guarantor and its Subsidiaries prepared in accordance with Brazilian GAAP.

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

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

TAXATION

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

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

Cayman Islands Taxation

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

Under existing Cayman Islands laws:

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

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

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

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

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

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

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

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

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

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

Brazilian Tax Considerations

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

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

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

If Construtora Norberto Odebrecht S.A. makes payments as guarantor in connection with the notes to a non-Brazilian holder, the Brazilian tax authorities could try to impose the withholding income tax at the rate of 15% (or 25%, in case the beneficiary is located in a tax haven jurisdiction, or at a lower rate provided for in any applicable tax treaty between Brazil and the country of the beneficiary. Investors should note that there is no tax treaty between Brazil and the United States.

A tax haven is a jurisdiction that does not impose any tax on income or which imposes such tax at a maximum effective rate lower than 20%. In addition, on June 24, 2008, Law 11,727 was enacted with effect from January 1, 2009, establishing that a jurisdiction or country where local legislation imposes restrictions on disclosing the shareholding composition or the ownership of an investment is also considered a tax haven jurisdiction. Law No. 11,727 also changed the scope of new transactions that would be subject to Brazilian transfer pricing rules, with the creation of the concept of a tax privileged regime. Pursuant to Law No. 11,727, a jurisdiction will be considered a privileged tax regime if (i) does not tax income or that taxes it at a maximum rate lower than 20%; (ii) grants tax advantages to a non-resident entity or individual (a) without the need to carry out a substantial economic activity in the country or one of its territories or (b) conditioned upon the non-exercise of a substantial economic activity in the country or one of its territories, or (iii) does not tax proceeds generated abroad or taxes them at a maximum rate lower than 20%, or (iv) restricts the ownership disclosure of assets and ownership rights or restricts disclosure about economic transactions carried out. Because several Brazilian regulations refer to the concepts defined in the Brazilian transfer pricing rules when referring to tax haven jurisdictions, there is a risk that this privileged tax regime will be treated similarly to a low tax jurisdiction, and therefore transactions may be subject to the 25% income tax rate.

The withholding tax may be imposed at the rate of 15%, whenever the beneficiary is located in a tax haven jurisdiction or not, in case of interests paid or remitted abroad by a Brazilian obligor to a Non-Resident Holder in respect of debt obligations resulting from the issuance of international debt securities previously registered with the Central Bank, including commercial papers.

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

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

The conversion into Brazilian currency of proceeds received by a Brazilian entity and the conversion into foreign currency of proceeds received in *reais* are subject to taxation of foreign exchange transactions (IOF/Câmbio). Currently, as a general rule, except in limited cases, the IOF/Câmbio is 0.38%, although the Brazilian federal government may increase such rate up to 25%. However, any increase in sales may only apply to future transactions.

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

Certain United States Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax consequences of ownership of the notes to an original U.S. Holder (as defined below) of a note that purchased the note at its “issue price” (i.e., the first price at which a substantial amount of notes is sold to the public, excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement trustees or wholesalers). This summary does not discuss all the tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as financial institutions, insurance companies, certain former citizens or long-term residents of the United States, tax-exempt organizations, real estate investment trusts, regulated investment companies, grantor trusts, dealers or traders in securities or currencies, holders of 10% or more (by vote, value or capital or profits interest) of the equity (including any notes treated as equity for U.S. federal income tax purposes) of the issuer, and persons that will hold the notes as a position in a “straddle” or as a part a “hedging”, “conversion” or “integrated” transaction for U.S. federal income tax purposes, or that have a functional currency other than the U.S. dollar.

This description is based on the Internal Revenue Code of 1986, as amended (the “Code”), existing, proposed and temporary U.S. Treasury Regulations and judicial and administrative interpretations thereof, in each case as in effect and available on the date hereof. All of the foregoing are subject to change (possibly with retroactive effect) or differing interpretations which could affect the tax consequences described herein.

For purposes of this summary, a U.S. Holder is a beneficial owner of the notes who for U.S. federal income tax purposes is (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (1)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control, or (2) that was in existence on August 20, 1996 and that validly elects under applicable Regulations to be treated as a U.S. person for U.S. federal income tax purposes.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of a partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to its tax consequences.

Internal Revenue Service Circular 230 Disclosure

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the U.S. Internal Revenue Code. Such description was written to support the promotion or marketing of the notes. Taxpayers should seek advice based on their particular circumstances from an independent tax adviser.

Persons considering the purchase of the notes should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdictions.

Characterization of the Notes

The tax characterization of an instrument as debt or equity for U.S. federal income tax purposes is based on applicable law, and the facts and circumstances, existing at the time the instrument is issued. Although no single factor is dispositive, instruments that are perpetual and, therefore, lack a fixed maturity date, are generally treated as equity for U.S. federal income tax purposes. Accordingly, the issuer believes that the notes should not be treated as indebtedness for U.S. federal income tax purposes and should be treated as either: (1) equity in a partnership or (2) equity in a passive foreign investment company (“PFIC”). No ruling will be sought from the Internal Revenue Service (the “IRS”) regarding the proper characterizations of the notes. Accordingly, there can be no assurance as to which alternative the IRS or the courts would select or that the IRS or the courts will not take a position different from the alternatives expressed herein. Prospective purchasers should consult their tax advisers regarding the U.S. tax characterization of the notes.

Characterization of the Issuer

The issuer should be treated as a “foreign eligible entity” under the U.S. Treasury Regulations relating to entity classification for business entities, which regulations would treat the issuer as an association taxable as a corporation in the absence of an election by the issuer to be classified as a pass-through for U.S. federal tax purposes. An entity classification election for the issuer has previously been filed electing to treat the issuer as a disregarded entity. Therefore, the issuance of the notes will cause the issuer to be treated as a partnership for U.S. federal income tax purposes. Notwithstanding treatment as a partnership, under Section 7704 of the Code, partnerships that are “publicly traded partnerships” are treated in the same manner as corporations for U.S. federal income tax purposes, except in the case of publicly traded partnerships that recognize “qualifying income” (e.g., certain interest, dividends and certain capital gains) equal to at least 90% of their gross income (the “Qualifying Income Test”). It is not clear whether the issuer will meet the requirements of the Qualifying Income Test. If the issuer meets the requirements of the Qualifying Income Test, then it will be treated as a partnership for U.S. federal income tax purposes. If the issuer does not meet the requirements of the Qualifying Income Test, then it will be treated as a corporation for U.S. federal income tax purposes.

If the Notes are Treated as Equity in a Partnership

If the issuer is classified as a partnership for U.S. federal tax purposes, each U.S. Holder would be required to report on its U.S. federal income tax return its allocable share of the issuer’s income, gains, losses, deductions and credits for the taxable year of the issuer ending within or with such U.S. Holder’s taxable year, whether or not cash or other property associated with such income or gain is distributed to such U.S. Holder. Certain limitations may apply with respect to a U.S. Holder’s ability to deduct expenses incurred (or deemed to be incurred) by the issuer (or the timing of such deductions). The character and source of items of income and gain derived by a U.S. Holder from the issuer would be determined as if such U.S. Holder had directly recognized such income and gain. A U.S. Holder’s allocable share of the issuer’s income over the life of the note would not be expected to exceed the

aggregate interest payments that such U.S. holder receives over the life of the note. The issuer does not intend to provide the information necessary for a U.S. Holder to report its allocable share of the issuer's income, gains, losses, deductions and credits for any taxable year. Therefore, U.S. Holders will not have the information necessary to properly report their allocable share of the issuer's income, gains, losses, deductions and credits for any taxable year. U.S. Holders are urged to consult with their tax advisers.

Even if the issuer currently meets the requirements of the Qualifying Income Test, there is no assurance that the issuer will continue to meet the requirements of the Qualifying Income Test in the future. If the issuer ceases to meet the requirements of the Qualifying Income Test in the future, the issuer will be treated as if it transferred all of its assets, subject to liabilities, to a newly formed corporation, on the first day of the year in which the issuer fails to meet the Qualifying Income Test, in return for stock in that corporation, and then distributed that stock to the holders of the notes in liquidation of their interests in the issuer. This deemed contribution and liquidation may result in gain recognition for a U.S. Holder to the extent the U.S. Holder's proportionate share of the fair market value of each asset of the issuer exceeds such U.S. Holder's proportionate share of the issuer's adjusted basis in each such asset. Thereafter, the issuer would be treated as a corporation for U.S. federal income tax purposes, and holders will be subject to the same rules described below under the heading "If the Notes are Treated as Equity in a PFIC". U.S. Holders are urged to consult their tax advisers regarding the tax consequences if the issuer ceases to meet the requirements of the Qualifying Income Test in the future.

Subject to applicable limitations on foreign tax credits, a U.S. Holder that is subject to U.S. federal income taxation generally should be entitled to elect to treat foreign taxes withheld from such U.S. Holder's share of the issuer's income as foreign income taxes eligible for credit against such U.S. Holder's U.S. federal income tax liability. Other complex tax rules may also limit the availability or use of foreign tax credits, depending on each U.S. Holder's particular circumstances. U.S. Holders are urged to consult their tax advisers regarding the availability of the foreign tax credit under their particular circumstances.

In addition, under Section 6038B of the Code and the U.S. Treasury Regulations issued thereunder, a U.S. Holder would be subject to certain information reporting requirements applicable to transfers of money to a foreign partnership in excess of U.S. \$100,000 within a 12-month period with respect to an acquisition of notes if such U.S. Holder paid more than U.S. \$100,000 for the notes. Substantial penalties may apply to the failure to comply with these requirements.

If the Notes are Treated as Equity in a PFIC

In the event that the notes are treated as ownership interests in the issuer and the issuer is classified as a corporation for U.S. federal income tax purposes, it will be a non-U.S. corporation. A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain lookthrough rules, either (1) at least 75 percent of its gross income is "passive income" or (2) at least 50 percent of the average value of its gross assets is attributable to assets that produce "passive income" or is held for the production of passive income. Passive income for this purpose generally includes interest.

Based on the nature of the issuer's activities, the issuer believes that a significant portion of its gross income will be passive income and believes that it will be classified as a PFIC in the current taxable year and in the future. Under the PFIC rules, a special tax regime will apply to both (a) any "excess distribution" from the issuer (generally, a U.S. Holder's ratable portion of distributions in any year which are greater than 125% of the average annual distribution received by such holder in the shorter of the three preceding years or such holder's holding period) and (b) any gain realized on the sale or other disposition of the notes. Under this regime, any excess distribution and realized gain will be treated as ordinary income and will be subject to tax as if (a) the excess distribution or gain had been realized ratably over a U.S. Holder's holding period, (b) the amount deemed realized had been subject to tax in each year of that holding period at the highest marginal rate, and (c) the interest charge generally applicable to underpayments of tax had been imposed on the taxes deemed to have been payable in those years.

To the extent that interest paid on a note to a U.S. Holder is not an excess distribution, such a payment will be includible in a U.S. Holder's income as dividend income to the extent such payment is paid out of the issuer's current or accumulated earnings and profits as determined under U.S. federal income tax principles. Interest on the

notes will not be eligible for the preferential tax rate generally applicable to dividends paid by a “qualified foreign corporation” to non-corporate U.S. Holders. The interest will be included in a U.S. Holder’s gross income as ordinary income and will not be eligible for the dividends received deduction generally allowed to corporate U.S. Holders. To the extent, if any, that the amount of any distribution exceeds the issuer’s current and accumulated earnings and profits as determined under U.S. federal income tax principles, it will be treated as a tax-free return of capital to the extent of a U.S. Holder’s adjusted tax basis in the notes. The issuer does not maintain calculations of its earnings and profits under U.S. federal income tax principles, and, therefore, U.S. Holders should expect that any interest that is not an excess distribution will be treated as dividends for U.S. federal income tax purposes.

Interest paid to a U.S. Holder with respect to notes will be treated as foreign source income, which may be relevant in calculating a U.S. Holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, interest generally will constitute “passive income,” or “general category income.”

Special rules apply to the amount of foreign tax credits that a U.S. Holder may claim on a distribution from a PFIC, and in certain cases, on a disposition of stock of a PFIC. Prospective purchasers should consult their tax advisers regarding the application of such rules.

In general, a U.S. Holder of notes will recognize gain or loss upon the sale or exchange of the notes equal to the difference between the amount realized and such holder’s adjusted tax basis in the notes. Initially, the tax basis of a U.S. Holder should equal the amount paid for a note. Upon the direct disposition of notes, any gain to a U.S. Holder will be taxable under the PFIC regime as previously described.

Where a company that is a PFIC meets certain reporting requirements, a U.S. Holder could avoid certain adverse PFIC consequences described above by making a “qualified electing fund” (“QEF”) election to be taxed currently on its proportionate share of the PFIC’s ordinary income and net capital gains. In order to comply with the requirements of a QEF election, a U.S. Holder must receive certain information from the issuer. Because the issuer does not intend to provide the information that a holder would need in order to make such an election, a U.S. Holder of notes will not be able to avoid some of the tax consequences just described by electing to treat the issuer as a QEF.

If the notes are “regularly traded” on a “qualified exchange,” a U.S. Holder may make a mark-to-market election with respect to the notes, which may help to mitigate the adverse tax consequences resulting from the issuer’s status as a PFIC. The notes will be treated as “regularly traded” in any calendar year in which more than a de minimis quantity of notes are traded on a qualified exchange on at least 15 days during each calendar quarter. A “qualified exchange” includes a foreign exchange that is regulated by a governmental authority in which the exchange is located and with respect to which certain other requirements are met. The IRS has not yet identified specific foreign exchanges that are “qualified” for this purpose. If a U.S. Holder makes the mark-to-market election, for each year in which the issuer is a PFIC, the holder will generally include as ordinary income the excess, if any, of the fair market value of the notes at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the notes over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a U.S. Holder makes the election, the holder’s tax basis in the notes will be adjusted to reflect any such income or loss amounts. Any gain recognized on the sale or other disposition of notes will be treated as ordinary income. U.S. Holders are urged to consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances.

If a U.S. Holder recognizes gain on a disposition of the notes, receives interest on the notes or has a mark-to-market election in effect, the U.S. Holder generally will be required to file an IRS Form 8621 with respect to the issuer, generally with the U.S. Holder’s income tax return for that year. Additionally, recently enacted legislation creates an additional annual filing requirement for U.S. persons who are shareholders of a PFIC. The legislation does not describe what information will be required to be included in the additional annual filing, but rather grants the Secretary of the U.S. Treasury authority to decide what information must be included in such annual filing. U.S. Holders should consult with their tax advisers concerning their annual filing requirement.

New Legislation

Newly enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% tax on, among other things, interest, dividends and capital gains from the sale or other disposition of notes for taxable years beginning after December 31, 2012. In addition, for taxable years beginning after March 18, 2010, new legislation requires certain U.S. Holders who are individuals to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by U.S. and certain financial institutions). U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of new U.S. federal income tax legislation on their ownership and disposition of notes.

Backup Withholding Tax and Information Reporting Requirements

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-corporate holders. Information reporting generally will apply to the interest payments on, and to proceeds from the sale or redemption of, notes made within the United States or by a U.S. payor or United States middleman to a holder of notes, other than an exempt recipient, including a corporation, a payee that is not a U.S. person that provides an appropriate certification and certain other persons. A payor will be required to withhold backup withholding tax from any interest payment on, or the proceeds from the sale or redemption of, notes within the United States or by a U.S. payor or U.S. middleman to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such backup withholding tax requirements. The backup withholding tax rate is 28% for years through 2010. Under recently passed legislation, the information reporting requirement is extended to all holders, including corporations other than tax-exempt corporations, for payments made after December 31, 2011.

The above summary is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their advisers concerning the tax consequences of their particular situations and any additional reporting requirements that arise as a result of their ownership in the notes.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated September 7, 2010, the issuer has agreed to sell to the initial purchasers named below, the following respective principal amounts of notes:

Initial Purchasers	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	U.S.\$250,000,000
Banco Itaú Europa, S.A. – London Branch	U.S.\$250,000,000
Total	U.S.\$500,000,000

Banco Itaú Europa, S.A. – London Branch is not a broker-dealer registered with the SEC, and therefore may not make sales of any notes in the United States to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent Banco Itaú Europa, S.A. – London Branch intends to effect any sales of the notes in the United States, it will do so only through its affiliate, Itau USA Securities Inc., or one or more other U.S. registered broker-dealers or otherwise as permitted by applicable U.S. law.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any are purchased. The purchase agreement also provides that if any of the initial purchasers defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

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

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

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

The initial purchasers and/or their affiliates may enter into derivative and/or structured transactions with clients, at their request, in connection with the notes and the initial purchasers and/or their affiliates may also purchase a portion of the notes to hedge their risk exposure in connection with such transactions. In addition, the initial purchasers and/or their affiliates may acquire a portion of the notes for their proprietary accounts. These transactions may have an adverse effect on the demand and pricing for the offering.

Purchasers of notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers and their respective affiliates have provided, and may provide in the future, investment banking, commercial banking, financial advisory and lending services for us and our affiliates from time to time, for which they have received, or will receive, customary compensation.

We have agreed to indemnify the initial purchasers against certain liabilities or to contribute to payments which it may be required to make in that respect.

The notes are a new issue of securities for which there currently is no market. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. They are not obligated, however, to make a market in the notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

We expect that delivery of the notes will be made against payment thereof on or about the closing date specified on the cover page of this offering memorandum, which will be the fifth business day following the trade date (such settlement being referred to as “T+5”).

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases in the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the initial purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market. Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that they or their representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security as long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker-dealer when the notes originally sold by such broker-dealer are purchased in a stabilizing or covering transaction to cover short positions.

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

European Economic Area (EEA)

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State (the “relevant implementation date”), an offer of notes described in this offering memorandum may not be made to the public in that relevant Member State prior to the publication of a prospectus in relation to the notes that has been approved by the competent authority in that relevant Member State or, where appropriate, approved in another relevant Member State and notified to the competent authority in that

relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant Member State at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- by the joint bookrunners to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the joint bookrunners for any such offer; or
- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

For purposes of this provision, the expression an “offer to the public” in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant Member State.

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

United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (“Qualified Investors”) that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Brazil

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

be offered or sold in Brazil except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

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

Cayman Islands

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

Germany

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

France

The notes are being issued and sold outside the Republic of France and that, in connection with their initial distribution, are not being offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France. This offering memorandum and/or any other offering material relating to the notes may not be distributed to the public in the Republic of France. Any offers, sales or distributions in the Republic of France will be made only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98-880 dated 1st October, 1998.

Netherlands

The notes may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to, individuals or legal entities situated in The Netherlands who or which trade or invest in securities in the conduct of a business or profession (which includes banks, securities intermediaries (including dealers and brokers), insurance companies, pension funds, collective investment institution, central governments, large international and supranational organizations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities; hereinafter, “Professional Investors”), provided that in the offer, prospectus and in any other documents or advertisements in which a forthcoming offering of our notes is publicly announced (whether electronically or otherwise) in The Netherlands it is stated that such offer is and will be exclusively made to such Professional Investors. Individual or legal entities who are not Professional Investors may not participate in the offering of our notes, and this offering memorandum or any other offering material relating to our notes may not be considered an offer or the prospect of an offer to sell or exchange our notes.

Luxembourg

The notes which are the subject of the offering contemplated by this offering memorandum will not be offered to the public in the Grand Duchy of Luxembourg, except that notes may be offered:

- in the cases described under the European Economic Area selling restrictions in which an initial purchaser can make an offer of notes to the public in an EEA Member State (including Luxembourg); and/or
- to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations; and/or
- to legal entities which are authorized or regulated to operate in the financial markets including credit institutions, investment companies, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers; and/or
- to certain natural persons or small and medium-sized companies (as defined in the Directive 2003/71/EC) recorded in the register of natural persons or small and medium-sized companies considered as qualified investors and held by the Commission de Surveillance du Secteur Financier (CSSF) as competent authority in Luxembourg in accordance with the Directive 2003/71/EC; and/or
- in any other circumstances for which the Luxembourg Act of 10th July, 2005 on prospectuses for securities does not require a public offering prospectus to be established.

Portugal

The notes may not be offered or sold in Portugal except in accordance with the requirements of the Portuguese Securities Code (*Código de Valores Mobiliários* as approved by the Decree-Law No. 486/99 of November 13, 1999) and the regulations governing the offer of securities issued pursuant thereto. Neither a public offer for subscription of the notes nor a public offer for the sale of the notes shall be promoted in Portugal.

Switzerland

The notes may not and will not be publicly offered, distributed or re-distributed in or from Switzerland and neither this offering memorandum nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations. This offering memorandum may not be copied, reproduced, distributed or passed on to others without the prior written consent of the initial purchasers. This offering memorandum is not a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations or a listing prospectus according to the Listing Rules of the SIX Swiss Exchange and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this offering memorandum may not comply with the information required under the relevant listing rules.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”) and the notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except in compliance with the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of

Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

The offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Cap. 289 of Singapore, or the SFA, and accordingly, the notes may not be offered or be the subject of an invitation for subscription or purchase, nor will this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the notes, whether directly or indirectly, be circulated or distributed to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) or any person, pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Each holder of the notes should note that any subsequent sale of the notes acquired pursuant to an offer in this offering memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA), (ii) relevant persons as defined in Section 275(2) of the SFA, and (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA.

Where the notes are acquired by persons who are relevant persons specified in Section 276 of the SFA, namely:

- (1) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (2) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person as defined in Section 275(2) of the SFA, or any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

NOTICE TO CANADIAN RESIDENTS

Resale Restrictions

The distribution of the notes in Canada is being made only on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the notes are made. Any resale of the notes in Canada must be made under applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the notes.

Representations of Purchasers

By purchasing the notes in Canada and accepting a purchase confirmation a purchaser is representing to us and from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the notes without the benefit of a prospectus qualified under those securities laws;
- where required by law, that the purchaser is purchasing as principal and not as agent;
- the purchaser has reviewed the text above under “—Resale Restrictions;” and
- the purchaser acknowledges and consents to the provision of specified information concerning its purchase of the notes to the regulatory authority that by law is entitled to collect the information.

Further details concerning the legal authority for this information is available on request.

Rights of Action – Ontario Purchasers Only

Under Ontario securities legislation, certain purchasers who purchase a security offered by this offering memorandum during the period of distribution will have a statutory right of action for damages, or while still the owner of the notes, for rescission against us in the event that this offering memorandum contains a misrepresentation without regard to whether the purchaser relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the notes. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the notes. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against us. In no case will the amount recoverable in any action exceed the price at which the notes were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, we will have no liability. In the case of an action for damages, we will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the notes as a result of the misrepresentation relied upon. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Ontario purchasers should refer to the complete text of the relevant statutory provisions.

Enforcement of Legal Rights

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

Taxation and Eligibility for Investment

Canadian purchasers of the notes should consult their own legal and tax advisors with respect to the tax consequences of an investment in the notes in their particular circumstances and about the eligibility of the notes for investment by the purchaser under relevant Canadian legislation.

TRANSFER RESTRICTIONS

The notes (including the guaranty) have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only to (1) “qualified institutional buyers” (as defined in Rule 144A under the Securities Act) (“QIBs”) in compliance with Rule 144A and (2) outside the United States to persons other than U.S. persons (“foreign purchasers”), which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners (other than an estate or trust), in reliance upon Regulation S under the Securities Act.

By its purchase of notes, each purchaser of notes will be deemed to:

(1) represent that it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (b) a foreign purchaser that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to above);

(2) acknowledge that the notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) if it is a person other than a foreign purchaser outside the United States, agree that if it should resell or otherwise transfer the notes, it will do so only (a) to us, (b) to a QIB in compliance with Rule 144A, (c) outside the United States in compliance with Rule 904 under the Securities Act or (d) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available);

(4) agree that it will deliver to each person to whom it transfers notes notice of any restriction on transfer of such notes;

(5) if it is a foreign purchaser outside the United States, (a) understand that the notes will be represented by the Regulation S global note and that transfers are restricted and (b) represent and agree that it will not sell short or otherwise sell, transfer or dispose of the economic risk of the notes into the United States or to a U.S. person; if it is a QIB, it understands that the notes offered in reliance on Rule 144A will be represented by the restricted global note;

(6) understand that until registered under the Securities Act, the notes (other than those issued to foreign purchasers or in substitution or exchange therefor) will bear a legend to the following effect unless otherwise agreed by us and the holder thereof:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER

(1) REPRESENTS THAT

(A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A “QUALIFIED INSTITUTIONAL BUYER” (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT OR

(B) IT IS NOT A U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND

- (2) AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ONLY
- (A) TO THE COMPANY,
 - (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT,
 - (C) TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT,
 - (D) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR
 - (E) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH 2(E) ABOVE, THE COMPANY RESERVES THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY RULE 144 EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT; and

(7) acknowledge that we and the initial purchasers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgements, representations or warranties deemed to have been made by it by its purchase of notes are no longer accurate, it shall promptly notify us and the initial purchasers; if they are acquiring notes as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

VALIDITY OF NOTES

The validity of the notes (including the guaranty) offered and sold in this offering will be passed upon for us by White & Case LLP, and for the initial purchasers by Clifford Chance US LLP. Certain matters of Brazilian law relating to the notes will be passed upon for the initial purchasers by Souza, Cescon, Barriou e Flesch Advogados. Certain matters of Cayman law, including the validity of the notes, will be passed upon for us by Maples and Calder.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2009 and 2008 and as of and for the years ended December 31, 2008 and 2007, prepared in accordance with Brazilian GAAP are included elsewhere in this offering memorandum, and have been audited by PricewaterhouseCoopers Auditores Independentes, independent accountants, as stated in their reports appearing herein, which contains explanatory paragraphs regarding: (1) our relationships and material commercial transactions with related parties; (2) the organizational restructuring in progress; (3) the translation of the financial statement to U.S. dollars; and (4) the restatement of the financial statements as of and for the year ended December 31, 2007 in connection with certain changes in Brazilian GAAP.

With respect to the unaudited financial information of Construtora Norberto Odebrecht S.A. and its subsidiaries for the six-month periods ended June 30, 2010 and 2009 included elsewhere in this offering memorandum, PricewaterhouseCoopers Auditores Independentes reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 27, 2010 appearing herein (which contains explanatory paragraphs regarding (1) our decision to present the interim financial statements using Brazilian GAAP up to December 31, 2009; (2) our relationships and material commercial transactions with related parties; (3) the organizational restructuring in progress; and (4) the translation of the financial statement to U.S. dollars), states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

The financial statements of Odebrecht Finance as of and for the years ended December 31, 2009 and 2008, as of and for the year ended December 31, 2008 and as of and for the period from January 30, 2007 (date of inception) to December 31, 2007, prepared in accordance with Brazilian GAAP are included elsewhere in this offering memorandum, and have been audited by PricewaterhouseCoopers Auditores Independentes, independent accountants, as stated in their report appearing herein, which contains explanatory paragraphs regarding (1) the restatement of our financial statements as of and for the year ended December 31, 2007 in connection with certain changes in Brazilian GAAP; and (2) Odebrecht Finance's deficit in stockholders' equity and negative working capital requiring additional long-term funds to cover its short-term liabilities, which are currently guaranteed by Odebrecht.

With respect to the unaudited financial information of Odebrecht Finance for the six-month periods ended June 30, 2010 and 2009, included elsewhere in this offering memorandum, PricewaterhouseCoopers Auditores Independentes reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated August 27, 2010 appearing herein (which contains explanatory paragraphs regarding (1) Odebrecht Finance's decision to present the interim financial statements using Brazilian GAAP up to December 31, 2009; (2) our relationships and material commercial transactions with related parties; (3) the organizational restructuring in progress; and (4) the translation of the financial statement to U.S. dollars), states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

LISTING AND GENERAL INFORMATION

1. The notes have been accepted for clearance through DTC, Euroclear and Clearstream Luxembourg. The CUSIP, ISIN and Common Code numbers for the notes are as follows:

	Regulation S Global Note	Rule 144A Global Note
CUSIP	G6710EAF7	675758AF3
ISIN	USG6710EAF72	US675758AF30
Common Codes	054172443	054172443

2. Copies of the issuer's and our latest audited consolidated annual financial statements and unaudited consolidated quarterly financial statements, if any, may be obtained during normal business hours at the offices of the trustee and any paying agent, including the principal paying agent. Copies of Odebrecht Finance's memorandum and articles of association and by-laws and our *estatuto social* (by-laws), as well as the indenture (including forms of the notes and the guaranty), will be available during normal business hours free of charge at the offices of the trustee and any paying agent, including the principal paying agent.

3. Except as disclosed in this offering memorandum, there has been no material adverse change in the issuer's or our financial position since June 30, 2010, the date of the issuer's or our latest unaudited financial statements included in this offering memorandum.

4. Except as disclosed in this offering memorandum, neither the issuer nor us are not involved in any litigation or arbitration proceedings relating to claims or amounts that are material in the context of this offering, nor so far as either the issuer or us are aware is any such litigation or arbitration pending or threatened.

5. Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade the notes on the Euro MTF market of the Luxembourg Stock Exchange.

6. The issuance of the notes was authorized by the directors of Odebrecht Finance on September 7, 2010. The issuance of the guaranty was authorized pursuant to a meeting of the executive officers of CNO on September 7, 2010.

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Report of Independent Accountants on the Limited Reviews

To the Board of Directors and Stockholders
Odebrecht Finance Ltd.

- 1 We have reviewed the accompanying balance sheet of Odebrecht Finance Ltd. (the "Company") as of June 30, 2010 and the statements of income, changes in stockholders' equity and cash flows for the six-month periods ended June 30, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements.
- 2 Our reviews were conducted in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) and mainly comprised the application of analytical review procedures to financial data and inquiries of personnel responsible for accounting and financial matters about the criteria applied in the preparation of the financial statements. Because these procedures do not comprise an audit carried out in accordance with approved Brazilian auditing standards, we do not express an opinion on these financial statements.
- 3 Based on our limited reviews, we are not aware of any material modifications that should be made to the financial statements reviewed by us in order for them to be in conformity with accounting practices adopted in Brazil.
- 4 The financial statements referred to in the first paragraph, also includes comparative accounting figures related to the balance sheet as of December 31, 2009. The audit of the financial statements for the year ended on December 31, 2009 was conducted under our responsibility. We expressed our unqualified opinion with on these financial statements, dated March 12, 2010, including emphasis of matter paragraph related to the matter described in the following paragraph 6.

Odebrecht Finance Ltd.

- 5 As mentioned in the Note 2 to the financial statements, the Federal Accounting Council (CFC) approved several pronouncements, interpretations and technical orientations issued by the Accounting Pronouncements Committee (CPC), effective as from January 1, 2010, that altered the accounting practices adopted in Brazil. As allowed by the CFC's Resolution 1,278/10, management of the Company opted to present their interim financial statements using the accounting rules prevailing in Brazil until December 31, 2009. As requested by the referred CFC's Resolution 1,278/10, the Company has disclosed that fact in Note 2 to the financial statements, as well as a description of the main changes that may impact its financial statements for the year ended December 31, 2010 and the explanations of the reasons why an estimate of their possible effects in the equity and in the income statement are not presented.
- 6 As described in Note 1 to the financial statements, at June 30, 2010, the Company had accumulated losses of US\$ 110,506 thousand and negative net working capital of US\$ 14,448 thousand, and requires additional long-term funds to cover its current liabilities, currently guaranteed by the ultimate parent Company - Odebrecht S.A. ("ODB").

Salvador, August 27, 2010

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

Felipe Edmond Ayoub
Contador CRC 1SP187402/O-4 "S" BA

Odebrecht Finance Ltd.

Balance Sheets

In thousands of U.S. dollars

Assets	June 30, 2010 (Unaudited)	December 31, 2009	Liabilities and stockholders' equity	June 30, 2010 (Unaudited)	December 31, 2009
Current assets					
Cash and cash equivalents	23	1	Current liabilities	14,471	14,572
	23	1	Debt (Note 4)	14,471	14,572
Non-current assets			Non-current liabilities		
Related parties (Note 3)	1,152,898	1,195,482	Debt (Note 4)	1,083,956	1,082,583
	1,152,898	1,195,482		1,083,956	1,082,583
			Stockholders' equity (Note 5)		
			Subscribed and paid capital	165,000	165,000
			Accumulated losses	(110,506)	(66,672)
				54,494	98,328
Total assets	<u>1,152,921</u>	<u>1,195,483</u>	Total liabilities and stockholders' equity	<u>1,152,921</u>	<u>1,195,483</u>

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

Odebrecht Finance Ltd.

Statement of Operations Six-month periods ended June 30 (Unaudited) In thousands of U.S. dollars

	<u>2010</u>	<u>2009</u>
Operating expenses		
Administrative expenses	(127)	(181)
Financial expenses, net (Note 6)	<u>(43,707)</u>	<u>(15,212)</u>
Loss for the period	<u><u>(43,834)</u></u>	<u><u>(15,393)</u></u>

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

Odebrecht Finance Ltd.

Statement of Changes in Stockholders' Equity In thousands of U.S. dollars

	<u>Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
At December 31, 2008		(18,546)	98,328
Loss for the period		<u>(15,393)</u>	<u>(15,393)</u>
At June 30, 2009 (Unaudited)		<u>(33,939)</u>	<u>82,935</u>

	<u>Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
At December 31, 2009	165,000	(66,672)	98,328
Loss for the period		<u>(43,834)</u>	<u>(43,834)</u>
At June 30, 2010 (Unaudited) (Note 5)	<u>165,000</u>	<u>(110,506)</u>	<u>54,494</u>

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

Odebrecht Finance Ltd.

Statement of Cash Flows Six-month periods ended June 30 (Unaudited) In thousands of U.S. dollars

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Loss for the period	(43,834)	(15,393)
Adjustments:		
Interest expense from related parties, net		(4,809)
Interest expense on debts	43,398	19,331
	<u> </u>	<u> </u>
Net cash used in operating activities before changes in operating assets and liabilities	(436)	(871)
Other accounts receivable	<u> </u>	<u>(4,028)</u>
Net cash used in operating activities	<u>(436)</u>	<u>(4,899)</u>
Cash flows from financing activities		
From related parties - Assets	42,583	
From related parties - Liabilities		(180,081)
Debt		
Funds obtained		200,000
Interest paid	(42,125)	(15,000)
	<u> </u>	<u> </u>
Net cash obtained from financing activities	<u>458</u>	<u>4,919</u>
Net increase in cash and cash equivalents	22	20
Cash and cash equivalents at the beginning of the period	<u>1</u>	<u>7</u>
Cash and cash equivalents at the end of the period	<u><u>23</u></u>	<u><u>27</u></u>

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

Odebrecht Finance Ltd.

Notes to the consolidated financial statements at June 30, 2010 and 2009 (unaudited) and at December 31, 2009 In thousands of U.S. dollars

1 Operations

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

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

On June 30, 2010, the Company had accumulated losses of US\$ 110,506 thousand (US\$ 66,672 thousand on December 31, 2009) and negative net working capital of US\$ 14,448 thousand (US\$ 14,571 thousand on December 31, 2009). The ultimate parent company ODB is committed to maintain the financial support to the Company, requiring additional long-term funds to cover the current liabilities, if needed.

2 Accounting policies and basis of preparation

2.1 Presentation of Financial Statements

These financial statements were approved by the Company's Executive Board on August 27, 2010.

The financial statements of the Company was prepared and are presented in accordance with the accounting practices adopted in Brazil based on the requirements of Brazilian corporate law.

The main changes in the Brazilian Corporate Law applicable to the Company's financial statements may be summarized as follows:

2.2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Cash and cash equivalents

Cash and cash equivalents comprise on demand bank deposits.

Odebrecht Finance Ltd.

Notes to the consolidated financial statements at June 30, 2010 and 2009 (unaudited) and at December 31, 2009 In thousands of U.S. dollars

(b) Debt

Debt is recognized initially at fair value, net of the directly related transaction costs. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

(c) Costs of debt and the effective interest rate method

In accordance with the accounting pronouncement nº. 08 (CPC 8), transaction costs directly related to the issuance of a debt instrument should be recorded as part of the net proceeds from the transaction and should adjust the effective interest rate of the operation.

(d) Functional currency

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

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

(e) Income tax

The Company is not subject to income tax in the country where it is organized.

2.3 Standards and interpretations of standards that may affect the financial statements for 2010

The standards and interpretations of standards listed below were published and are effective for the years beginning on or after January 1, 2010.

The financial statements for the six-month periods ended June 30, 2010 and 2009 and for the year ended December 31, 2009 were prepared in accordance with the accounting practices adopted in Brazil, which cover corporate law, pronouncements, guidelines and interpretations issued by the Accounting Pronouncement Committee ("CPC") and the standards issued by the Federal Accounting Board (CFC).

Odebrecht Finance Ltd.

Notes to the consolidated financial statements at June 30, 2010 and 2009 (unaudited) and at December 31, 2009 In thousands of U.S. dollars

In the preparation of the financial statements for the six-month periods ended June 30, 2010 and 2009 and for the year ended December 31, 2009, the Company adopted the changes in corporate law introduced by Law No. 11,638 of December 28, 2007 ("Law No. 11,638/07"), and the respective amendments introduced by provisional Measure No. 449/08, which was subsequently converted into Law No. 11,941 of May 27, 2009 ("Law No. 11,941/09"). Laws No. 11,638 and No. 11,941/09 amended Law No. 6,404/76 (Brazilian Corporate Law) in aspects related to the preparation and disclosure of the financial statements and their main objective is to update Brazilian corporate legislation so that the accounting practices adopted in Brazil can converge with those of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB).

In 2009, the CFC approved many Pronouncements, Interpretations and Technical Guidelines issued by the CPC for 2010 that changed the accounting practices adopted in Brazil. As allowed by the CFC, management chose to present its interim financial statements using the accounting standards adopted in Brazil until December 31, 2009.

The standards listed below are only those that can (or should) have a more significant impact on the financial statements of the Company and its subsidiaries. According to these new standards, the figures for the six-month periods ended June 30, 2010 and 2009 and for the year ended December 31, 2009, presented in these financial statements, will be restated for comparison purposes when the 2010 financial statements are presented.

(a) Pronouncements

CPC Pronouncement No. 26 – Presentation of the financial statements

CPC Pronouncement No. 37 – First-time adoption of IFRS

CPC Pronouncement No. 38 – Financial instruments: recognition and measurement

CPC Pronouncement No. 39 – Financial instruments: presentation

CPC Pronouncement No. 40 – Financial instruments: disclosure

The Company and its subsidiaries are in the process of evaluating the potential effects related to these pronouncements, interpretations and guidelines, which may have a significant impact on the financial statements for the six-month periods ended June 30, 2010 and 2009 and year ended December 31, 2009 to be represented. This is why the estimates for the possible effects on quotaholders' equity and income or loss are not presented.

Odebrecht Finance Ltd.

Notes to the consolidated financial statements
at June 30, 2010 and 2009 (unaudited) and at December 31, 2009
In thousands of U.S. dollars

3 Related parties

	<u>Long-term receivables</u>
ODB	523,609
Odebrecht Overseas Ltd.	629,160
ONL Investments BV	129
	<hr/>
At June 30, 2010	<u>1,152,898</u>
	<hr/>
At December 31, 2009	<u>1,195,482</u>

The main balances with Odebrecht Group companies are governed by the contractual instrument "Current account and single management agreement", entered into by the group companies and maturing on December 31, 2011. The operations consist of lending funds, assignments of credits and assumptions of obligations, without interest rates.

4 Debt

On October 18, 2007, OFL raised US\$ 200,000 (US\$ 195,310 net of the directly related transaction costs) in the international financial markets in the form of Notes due in October 2017. Such Notes have a coupon of 7.50% per year, payable semi-annually and provide OFL with a call option to anticipate liquidation to October 18, 2012. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

On April 4, 2008, OFL raised additional US\$ 200,000 in the international financial markets in the form of Notes due in October 2017, lying on the same conditions of the Notes previously issued.

On April 9, 2009, OFL raised US\$ 200,000 (US\$ 195,554 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2014. Such Notes have a coupon of 9.625% per year, payable semi-annually. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

Odebrecht Finance Ltd.

Notes to the consolidated financial statements at June 30, 2010 and 2009 (unaudited) and at December 31, 2009 In thousands of U.S. dollars

On October 21, 2009, OFL raised US\$ 500,000 (US\$ 487,420 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2020. Such Notes have a coupon of 7.00% per year, payable semi-annually and provide OFL with a call option to anticipate liquidation to April 21, 2015. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

The total balance including accrued interest on June 30, 2010 is US\$ 1,098,427 (2009 - US\$ 1,097,155).

All Notes above have certain restrictive Covenants, which is unconditionally and irrevocably guaranteed by Construtora Norberto Odebrecht S.A (CNO) and which are being complied with by the Company.

5 Stockholders' equity

On 2008 unpaid capital consisted of 1,500,000 shares with a par value of US\$ 1 each. The Company's authorized capital consisted of 1,500,000 shares.

On July 28, 2009, the Company's issued 65,000 new shares of US\$ 1 each, totaling a capitalization of US\$ 65,000. These shares were fully subscribed and paid up by ODB.

On September 18, 2009, the Company's issued 100,000 new shares of US\$ 1 each, totaling a capitalization of US\$ 100,000. These shares were fully subscribed and paid up by ODB.

At June 30, 2010, capital consists of 165,000 shares with a par value of US\$ 1 each.

Odebrecht Finance Ltd.

Notes to the consolidated financial statements at June 30, 2010 and 2009 (unaudited) and at December 31, 2009 In thousands of U.S. dollars

6 Financial expenses, net

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Interest expenses on debts	(42,125)	(19,331)
Interest income from related parties (*)		4,809
Other, net	<u>(1,582)</u>	<u>(690)</u>
	<u>(43,707)</u>	<u>(15,212)</u>

(*) Refers to "Inter-company Loan Agreements" with ONL Investment BV, that were subject to interest equivalent to 7.50% per annum paid in the first semester of 2009.

7 Financial instruments

The Company carries out financial instrument transactions, such as (a) Cash and cash equivalent and (b) financing. Those transactions are recorded in the financial statements, in order to manage the availability of funds for its operations which are primarily related to funding the activities of the Odebrecht Group companies.

During the six-month period ended June 30, 2010, and in the year ended December 31, 2009, the Company did not enter into contracts which might be considered to be derivative financial instruments.

There is no exposure to interest risk.

* * *

Report of Independent Auditors

To the Board of Directors and Stockholders
Odebrecht Finance Ltd.

- 1 We have audited the accompanying balance sheets of Odebrecht Finance Ltd. (the "Company") at December 31, 2009 and 2008, and the related statements of income, of changes in stockholders' equity (deficit) and of cash flows for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Company, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Odebrecht Finance Ltd. at December 31, 2009 and 2008, and the results of its operations, the changes in stockholders' equity (deficit) and its cash flows for the years ended December 31, 2009 and 2008, in accordance with accounting practices adopted in Brazil.

Salvador, April 5, 2010

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Felipe Edmond Ayoub
Contador CRC 1SP187402/O-4

Odebrecht Finance Ltd.

Balance Sheets at December 31 In thousands of U.S. dollars

Assets	2009	2008	Liabilities and stockholders' (deficit)	2009	2008
Current assets			Current liabilities		
Cash and cash equivalents	<u>1</u>	<u>7</u>	Debt (Note 4)	<u>14,572</u>	<u>5,520</u>
	<u>1</u>	<u>7</u>		<u>14,572</u>	<u>5,520</u>
Non-current assets			Non-current liabilities		
Related parties (Note 3)	<u>1,195,482</u>	<u>437,946</u>	Related parties (Note 3)	<u>1,082,583</u>	<u>54,708</u>
			Debt (Note 4)	<u>1,082,583</u>	<u>396,271</u>
	<u>1,195,482</u>	<u>437,946</u>		<u>1,082,583</u>	<u>450,979</u>
			Stockholders' equity (deficit) (Note 5)		
			Subscribed capital	165,000	1,500
			Unpaid capital	(66,672)	(1,500)
			Accumulated losses	98,328	(18,546)
				<u>1,195,483</u>	<u>437,953</u>
Total assets	<u>1,195,483</u>	<u>437,953</u>	Total liabilities and stockholders' equity (deficit)	<u>1,195,483</u>	<u>437,953</u>

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

Odebrecht Finance Ltd.

Statement of Operations Years ended December 31 In thousands of U.S. dollars

	<u>2009</u>	<u>2008</u>
Operating expenses		
Administrative expenses	(701)	(75)
Financial expenses, net (Note 6)	<u>(47,425)</u>	<u>(16,110)</u>
 Loss for the year	 <u>(48,126)</u>	 <u>(16,185)</u>

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

Odebrecht Finance Ltd.

Statement of Changes in Stockholders' Equity (Deficit)

In thousands of U.S. dollars

	<u>Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
At December 31, 2007		(2,361)	(2,361)
Subscribed capital (Note 5)	1,500		1,500
Unpaid capital (Note 5)	(1,500)		(1,500)
Loss for the year		(16,185)	(16,185)
At December 31, 2008		(18,546)	(18,546)
Capital Increased (Note 5)	165,000		165,000
Loss for the year		(48,126)	(48,126)
At December 31, 2009	<u>165,000</u>	<u>(66,672)</u>	<u>98,328</u>

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

Odebrecht Finance Ltd.

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

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Loss for the year	(48,126)	(16,185)
Adjustments:		
Interest expense from related parties, net	(4,805)	(5,617)
Interest expense on debts	<u>52,017</u>	<u>26,146</u>
Net cash used in (obtained from) operating activities before changes in operating assets and liabilities	(914)	4,344
Decrease in other accounts receivable	(17,028)	
Decrease in accounts and expenses payable		<u>(159)</u>
Net cash used in (obtained from) operating activities	<u>(17,942)</u>	<u>4,185</u>
Cash flows from financing activities		
From related parties – assets	(752,731)	(236,220)
From related parties – liabilities	(54,708)	54,708
Capital increase	165,000	
Debts		
Funds obtained	700,000	200,000
Interest paid	<u>(39,625)</u>	<u>(22,666)</u>
Net cash from financing activities	<u>17,936</u>	<u>(4,178)</u>
Net increase (decrease) in cash and cash equivalents	<u>(6)</u>	<u>7</u>
Represented by:		
Cash and cash equivalents at beginning of the year	7	
Cash and cash equivalents at the end of the year	<u>1</u>	<u>7</u>
Net increase (decrease) in cash and cash equivalents	<u>(6)</u>	<u>7</u>

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

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2009 and 2008

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

1 Operations

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

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

On December 31, 2009, the Company had negative net working capital of US\$ 14,571 thousand. The ultimate parent company ODB is committed to maintain the financial support to the Company, if needed.

2 Accounting policies and basis of preparation

2.1 Presentation of Financial Statements

These financial statements were approved by the Company's Executive Board on April 05, 2010.

The financial statements of the Company and its subsidiaries were prepared and are presented in accordance with the accounting practices adopted in Brazil based on the requirements of Brazilian corporate law.

Changes in Brazilian Corporate Law

On December 28, 2007 and December 4, 2008, Law No. 11,638/07 and Provisional Measure ("MP") n° 449 were enacted, amending and introducing new provisions to Law n° 6,404 ("Brazilian Corporate Law"). The main objective of the Law was to update Brazilian corporate legislation to allow for the accounting practices adopted in Brazil to converge with those of the international accounting standards issued by the International Accounting Standard Board (IASB). The application of aforesaid Law and MP is mandatory for annual financial statements for years beginning on or after January 1, 2008.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2009 and 2008

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

The main changes in the Brazilian Corporate Law applicable to the Company's financial statements may be summarized as follows:

Costs of debt and the effective interest rate method

In accordance with the accounting pronouncement nº. 08 (CPC 8), transaction costs directly related to the issuance of a debt instrument should be recorded as part of the net proceeds from the transaction and should adjust the effective interest rate of the operation.

Functional currency

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

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

2.2 Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Cash and cash equivalent

Cash and cash equivalents comprise on demand bank deposits.

(b) Debt

Debt is recognized initially at fair value, net of the directly related transaction costs. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

In addition, the Company is not subject to income tax in the country where it is organized.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2009 and 2008

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

3 Related parties

	<u>Long-term receivables</u>	<u>Long-term liabilities</u>	<u>Financial income</u>
ODB	455,624		
Odebrecht Overseas Ltd	695,837		
Odebrecht Oil Services Ltd	43,892		
ONL Investments BV (*)	<u>129</u>		<u>4,805</u>
At December 31, 2009	<u>1,195,482</u>		<u>4,805</u>
At December 31, 2008	<u>437,946</u>	<u>54,708</u>	<u>5,617</u>

The main balances with Odebrecht Group companies are governed by the contractual instrument "Current account and single management agreement", entered into by the group companies and maturing on December 31, 2011. The operations consist of lending funds, assignments of credits and assumptions of obligations.

(*) Balances were established under specific "Inter-company Loan Agreements" and are subject to finance charges equivalent to interest of 7.50% per annum. Those contracts were set in 2008 and will be mature in October 18, 2017.

4 Debt

On October 18, 2007, OFL raised US\$ 200,000 (US\$ 195,310 net of the directly related transaction costs) in the international financial markets in the form of Notes due in October 2017. Such Notes have a coupon of 7.50% per year, payable semi-annually and provide OFL with a call option to anticipate liquidation to October 18, 2012. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

On April 4, 2008, OFL did a reopening of the above mentioned transaction and raised additional US\$ 200,000 in the international financial markets in the form of Notes due in October 2017, lying on the same conditions of the Notes previously issued.

On April 9, 2009, OFL raised US\$ 200,000 (US\$ 195,554 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2014. Such Notes have a coupon of 9.625% per year, payable semi-annually. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2009 and 2008

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

On October 21, 2009, OFL raised US\$ 500,000 (US\$ 487,420 net of the directly related transaction costs) in the international financial markets in the form of Notes due in April 2020. Such Notes have a coupon of 7.00% per year, payable semi-annually and provide OFL with a call option to anticipate liquidation to April 21, 2015. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

The total balance including accrued interest on December 31, 2009 is US\$ 1,097,155 (2008 - US\$ 401,791).

All Notes above have certain restrictive Covenants, which is unconditionally and irrevocably guaranteed by Construtora Norberto Odebrecht S.A (CNO) and which are being complied with by the Company.

5 Stockholders' equity (deficit)

On 2008 unpaid capital consists of 1,500,000 shares with a par value of US\$ 1 each. The Company's authorized capital consists of 1,500,000 shares.

Capital consists of 165,000 shares with a par value of US\$ 1 each.

On July 28, 2009, the Company's issued 65,000 new shares of US\$ 1 each, totaling a capitalization of US\$ 65,000,000. These shares were fully subscribed and paid up by ODB

On September 18, 2009, the Company's issued 100,000 new shares of US\$ 1 each, totaling a capitalization of US\$ 100,000,000. These shares were fully subscribed and paid up by ODB.

6 Financial expenses, net

	<u>2009</u>	<u>2008</u>
Financial expenses on debt	(52,017)	(26,146)
Related party transactions	4,805	5,617
Other financial income, net	(213)	4,419
	<u>(47,425)</u>	<u>(16,110)</u>

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2009 and 2008

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

7 Financial instruments

The Company carries out financial instrument transactions, such as (a) Cash and cash equivalent and (b) financing. Those transactions are recorded in the financial statements, in order to manage the availability of funds for its operations which are primarily related to funding the activities of the Odebrecht Group companies.

During 2009 and 2008, the Company did not enter into contracts which might be considered to be derivative financial instruments.

There is no exposure to interest risk.

* * *

Report of Independent Auditors

To the Board of Directors and Stockholders
Odebrecht Finance Ltd.

- 1 We have audited the accompanying balance sheets of Odebrecht Finance Ltd. ("The Company") at December 31, 2008 and 2007, and the related statements of income, of changes in stockholders' deficit and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audit in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balance, the volume of transactions and the accounting and internal control systems of the Company, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management, as well as the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Company at December 31, 2008 and 2007, and the results of its operations, the changes in stockholders' deficit and its cash flows for the years then ended, in accordance with accounting practices adopted in Brazil.
- 4 As mentioned in Note 2.1, in connection with the changes in the accounting practices adopted in Brazil during 2008, the financial statements for the previous year, presented for comparison purposes, were adjusted and have been restated as set forth in Accounting Standards and Procedures (NPC) No. 12 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

Odebrecht Finance Ltd.

- 5 As described in Note 1 to the financial statements, at December 31, 2008, the Company had a deficit in stockholders' equity of US\$ 18,546 thousand and negative net working capital of US\$ 5,513 thousand, requiring additional long-term funds to cover its short-term liabilities, currently guaranteed by a stockholder.

Salvador, March 12, 2009

PricewaterhouseCoopers
Auditores Independientes
CRC 2SP000160/O-5

Felipe Edmond Ayoub
Contador CRC 1SP187402/O-4

Odebrecht Finance Ltd.

Balance Sheets at December 31
In thousands of U.S. dollars

Assets	2008	2007 (Restated)	Liabilities and stockholders' deficit	2008	2007 (Restated)
Current assets			Current liabilities		
Cash and cash equivalent	7		Debt (Note 4)	5,520	2,521
			Other payables		159
				5,520	2,680
Non-current assets			Non-current liabilities		
Related parties (Note 3)	437,946	196,109	Related parties (Note 3)	54,708	
			Debt (Note 4)	396,271	195,790
	437,946	196,109		450,979	195,790
			Stockholders' deficit (Note 5)		
			Subscribed capital	1,500	1,500
			Unpaid Capital	(1,500)	(1,500)
			Accumulates losses	(18,546)	(2,361)
				(18,546)	(2,361)
Total assets	437,953	196,109	Total liabilities and stockholders' deficit	437,953	196,109

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

Odebrecht Finance Ltd.

Statement of Operations

Year/ Period ended December 31

In thousands of U.S. dollars

	Year ended December 31, 2008	Period of 11 months ended December 31, 2007 (Restated)
Operating expenses		
Financial expenses, net (Note 6)	(16,185)	(2,361)
Loss for the year/ period	<u>(16,185)</u>	<u>(2,361)</u>

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

Odebrecht Finance Ltd.

Statement of Changes in Stockholders' Deficit

In thousands of U.S. dollars

	<u>Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
Subscribed capital (Note 5)	1,500		1,500
Unpaid capital (Note 5)	(1,500)		(1,500)
Loss for the period		(2,361)	(2,361)
At December 31, 2007		(2,361)	(2,361)
Loss for the year		(16,185)	(16,185)
At December 31, 2008		(18,546)	(18,546)

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

Odebrecht Finance Ltd.

Statements of Cash Flows

In thousands of U.S. dollars

	Year ended December 31, 2008	11 months ended December 31, 2007 (Restated)
Cash flows from operating activities		
Loss for the year/ period	(16,185)	(2,361)
Adjustments:		
Interest expense from related parties, net	(5,617)	
interest expense on debts	26,146	3,000
Net cash used in operating activities before changes in operating assets and liabilities	4,344	639
Increase (decrease) in accounts and expenses payable	(159)	159
Net cash from operating activities	4,185	798
Cash flows from investing activities		
From related parties - assets	(236,220)	(196,109)
Net cash used in investing activities	(236,220)	(196,109)
Cash flows from financing activities		
From related parties - liabilities	54,708	
Debts		
Debts contracted	200,000	195,311
Interest paid	(22,666)	
Net cash from financing activities	232,042	195,311
Increase in cash and cash equivalent	7	
Cash and cash equivalent at beginning of the year		
Cash and cash equivalent at end of the year	7	

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

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2008 and 2007

in thousands of U.S. dollars

1 Operations

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

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

On December 31, 2008, the Company had a deficit in stockholders' equity of US\$ 18,546 (2007 - US\$ 2,361) and negative net working capital of US\$ 5,513 (2007 - US\$ 2,680). The ultimate parent company ODB, intends to maintain the financial support to the Company, if needed.

2 Accounting policies and basis of preparation

2.1 Presentation of Financial Statements

These financial statements were approved by the Company's Executive Board on March 12, 2009.

The financial statements of the Company and its subsidiaries were prepared and are presented in accordance with the accounting practices adopted in Brazil based on the requirements of Brazilian corporate law and specific standards issued by Brazilian Securities Commission (the "CVM").

Changes in Brazilian Corporate Law

On December 28, 2007 and December 4, 2008, Law No. 11,638/07 and Provisional Measure ("MP") n° 449 were enacted, amending and introducing new provisions to Law n° 6,404 ("Brazilian Corporate Law"). The main objective of the Law was to update Brazilian corporate legislation to allow for the accounting practices adopted in Brazil to converge with those of the international accounting standards issued by the International Accounting Standard Board (IASB). The application of aforesaid Law and MP is mandatory for annual financial statements for years beginning on or after January 1, 2008.

The main changes in the Brazilian Corporate Law applicable to the Company's financial statements may be summarized as follows:

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2008 and 2007

In thousands of U.S. dollars

Costs of debt and the effective interest rate method

In accordance with the accounting pronouncement n°. 08 (CPC 8), transaction costs directly related to the issuance of a debt instrument should be recorded as part of the net proceeds from the transaction and should adjust the effective interest rate of the operation.

Accordingly, the Company has reclassified an amount of US\$ 4,210, corresponding to the unamortized balance of transaction costs related to the Notes issued in 2007 (see Note 4), from prepaid expenses to financial debt in the 2007 balance sheet. An amount of US\$178 was reclassified from administrative to financial expenses in the 2007 statement of operations.

Functional currency

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

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

Restatement

As allowed by the CPC pronouncement n°. 13 - Initial adoption of Law 11,638/07, and MP 449/08, the management of the Company chose to adopt January 30, 2007 as the transition date for the application of the provisions introduced by aforesaid Law and MP, restating comparative figures adjusted pursuant to Accounting Standard and Procedure (NPC) n°. 12 – Accounting practices, changes in estimates and correction of errors.

2.2 Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2008 and 2007

in thousands of U.S. dollars

(a) Cash and cash equivalent

Cash and cash equivalents comprise on demand bank deposits.

(b) Debt

Debt is recognized initially at fair value, net of the directly related transaction costs. In subsequent periods, borrowings are stated at amortized cost using the effective yield method.

In addition, the Company is not subject to income tax in the country where it is organized.

3 Related parties

	<u>Long-term receivables</u>	<u>Long-term liabilities</u>	<u>Financial income</u>
Odebrecht Overseas Ltd. ("OOL")		54,708	
Odebrecht Oil Services Ltd. ("OOSL")	78,318		
Odebrecht S.A. ("ODB")	177,555		
ONL Investments BV (*)	150,726		4,953
Odebrecht International BV (*)	31,346		664
	<u>437,945</u>	<u>54,708</u>	<u>5,617</u>
At December 31, 2008			
	<u>196,109</u>		
At December 31, 2007			

The main balances with Odebrecht Group companies are governed by the contractual instrument "Current account and single management agreement", entered into by the group companies and maturing on December 31, 2011. The operations consist of lending funds, assignments of credits and assumptions of obligations.

(*) Balances were established under specific "Inter-company Loan Agreements" and are subject to finance charges equivalent to interest of 7.50% per annum. Those contracts were set in 2008 and will be mature in October 18, 2017.

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2008 and 2007

in thousands of U.S. dollars

4 Debt

On October 18, 2007, OFL raised US\$ 200,000 (US\$ 195,310 net of the directly related transaction costs) in the international financial markets in the form of Notes due in October 2017. Such Notes render effective interest equivalent to 7.61% per year, payable semi-annually and provide OFL with a call option to anticipate liquidation to October 18, 2012. The Notes are guaranteed by Construtora Norberto Odebrecht S.A. ("CNO").

On April 4, 2008, OFL raised additional US\$ 200,000 in the international financial markets in the form of Notes due in October 2017, lying on the same conditions of the Notes previously issued.

The total balance including accrued interest on December 31, 2008 is US\$ 401,791 (2007 - US\$ 198,310).

Both Notes issuance have certain restrictive Covenants, which are being complied with by the Company.

5 Stockholders' deficit

Unpaid capital consists of 1,500,000 shares with a par value of US\$ 1 each. The Company's authorized capital consists of 1,500,000 shares.

6 Financial expenses, net

	<u>2008</u>	<u>2007</u> (Restated)
Financial expenses on debt	(26,146)	(3,000)
Related party transactions	5,617	
Other financial income, net	<u>4,344</u>	<u>639</u>
	<u>(16,185)</u>	<u>(2,361)</u>

Odebrecht Finance Ltd.

Notes to the Financial Statements at December 31, 2008 and 2007

in thousands of U.S. dollars

7 Financial instruments

The Company carries out financial instrument transactions, such as (a) Cash and cash equivalent and (b) financing. Those transactions are recorded in the financial statements, in order to manage the availability of funds for its operations which are primarily related to funding the activities of the Odebrecht Group companies.

During 2008 and 2007, the Company did not enter into contracts which might be considered to be derivative financial instruments.

There is no exposure to interest risk.

* * *

Report of Independent Accountants on Limited Reviews

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

- 1 We have carried out limited reviews of the accompanying consolidated balance sheets of Construtora Norberto Odebrecht S.A. ("Company") and its subsidiaries as of June 30, 2010 and of the consolidated statements of income and of cash flows, and the statements of changes in stockholders' equity of the Company for the six-month periods ended June 30, 2010 and 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements.
- 2 Our reviews were conducted in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON) and mainly comprised the application of analytical review procedures to financial data and inquiries of personnel responsible for accounting and financial matters about the criteria applied in the preparation of the financial statements. Because these procedures do not comprise an audit carried out in accordance with approved Brazilian auditing standards, we do not express an opinion on these financial statements.
- 3 Based on our limited reviews, we are not aware of any material modifications that should be made to the financial statements reviewed by us in order for them to be in conformity with accounting practices adopted in Brazil.
- 4 The financial statements referred to in paragraph 1 also include comparative financial information related to the consolidated balance sheet as of December 31, 2009. We have carried out an audit of the financial statements for the year ended on December 31, 2009 and have expressed our unqualified opinion dated March 19, 2010, including an emphasis paragraph related to the matters described in paragraph 6.
- 5 As described in Note 2.3 to the financial statements, the Federal Accounting Council (Conselho Federal de Contabilidade - CFC) approved several Accounting Pronouncements, Interpretations and Technical Interpretations issued by the Accounting Pronouncement Committee (Comitê de Pronunciamentos Contábeis - CPC), which are mandatory for 2010 and modified the accounting practices adopted in Brazil. As allowed by CFC, management of the Company decided to present its interim financial statements using the accounting practices adopted in Brazil up to December 31, 2009. The Company described this fact in Note 2.3 to the financial statements, as well as the description of the main changes that could

have significant impact on the financial statements for the year ending in 2010, and the reasons for not presenting an estimate of the corresponding effects on the stockholders' equity and on the results of operations.

- 6 The Company and its subsidiaries are an integral part of the group of companies which form the Odebrecht Organization, and conducts significant financial transactions with its parent and other Organization companies, under the conditions described in Note 8 to the financial statements. The Company and its subsidiaries are also involved in the reorganization of its corporate structure, as described in Note 1 (ii).
- 7 The accompanying financial statements expressed in U.S. dollars correspond to the original financial statements prepared in Brazilian reais, translated on the basis described in Note 2.2 (q). 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.

Salvador, August 27, 2010

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

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

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

	December 31, 2009		December 31, 2009	
	June 30, 2010		June 30, 2010	
	US\$	R\$	US\$	R\$
Assets				
Current assets				
Cash and cash equivalents	1,313,308	2,996,187	659,276	644,834
Financial investments (Note 3)	77,397	134,771	1,676,187	1,775,688
Trade accounts receivable (Note 4)	2,531,546	3,649,840	1,059,332	1,205,398
Advances to suppliers, subcontractors and others	341,350	614,942	17,829	12,500
Deferred income tax and social contribution (Note 13 (b))	28,435	51,822	83,233	73,437
Taxes recoverable (Note 5)	155,159	279,519	1,459,215	1,928,154
Inventories (Note 6)	338,959	610,635	371,124	117,356
Current accounts with consortium members	155,996	281,026	148,394	415,035
Prepaid expenses	115,929	208,846		
Other accounts receivable	203,292	366,229		
	5,261,371	9,478,359	5,474,590	6,172,402
Non-current assets				
Long-term receivables				
Financial investments (Note 3)	4,793	8,635	338,328	68,583
Odebrecht Organization companies (Note 8)	735,595	1,325,175	1,619,773	1,676,658
Trade accounts receivable (Note 4)	504,730	909,271	3,805,866	2,591,211
Investments and properties for sale	2,234	4,024	372,074	413,313
Deferred income tax and social contribution (Note 13 (b))	24,756	44,598	90,387	116,200
Taxes recoverable (Note 5)	9,514	17,140	3,950	13,911
Beitrobas credits (Note 7)	127,533	229,750	195,418	176,370
Other accounts receivable	132,923	239,461	9,777	10,177
	1,542,078	2,778,054	6,592,096	5,180,212
Investments				
Associated companies (Note 9 (a))	543,140	978,466	27,228	33,577
Others Investments (Note 9 (b))	78,774	141,912		
Property and equipment (Note 10)	851,550	1,534,068	1,113,126	1,378,375
Intangible	27,330	49,235	1,665,981	1,665,981
Deferred charges	27,413	49,385	(139,303)	(89,794)
	3,070,285	5,531,120	2,915,565	2,954,562
Total assets	8,331,656	15,009,479	15,009,479	14,340,753
Liabilities and stockholders' equity				
Current liabilities				
Debits (Note 11)		2,996,187		
Suppliers and subcontractors		134,771		
Taxes, rates, salaries and payroll charges		3,649,840		
Management profit sharing		422,955		
Provisions for contingencies (Note 12 (i))		51,822		
Advances from customers		409,753		
Current accounts with consortium members		800,719		
Other accounts payable		115,165		
		202,811		
		551,639		
		9,335,662		
Non-current liabilities				
Odebrecht Organization companies (Note 8)				
Debits (Note 11)				
Advances from customers				
Deferred income tax and social contribution (Note 13 (b))		4,003		
Suppliers and subcontractors		1,071,340		
Provisions for contingencies (Note 12 (i))		722,158		
Taxes payable in installments (Note 12 (ii))		11,185		
Provision for losses on investments		99,306		
Long-term incentives (Note 18)		109,599		
Other accounts payable		221,312		
		101,430		
		2,340,333		
Minority interest				
Stockholders' equity				
Capital (Note 14 (a))		806,610		
Revenue reserves (Note 14 (c))		161,176		
Equity evaluation adjustment (Note 14 (d))		1,592,240		
Retained earnings		54,537		
		50,195		
		5,005,091		
Total liabilities and stockholders' equity	8,331,656	15,009,479	15,009,479	14,340,753

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Statements of Income Six-month Periods Ended June 30 (unaudited) In thousands of reais and U.S. dollars

	2010		2009
	US\$		R\$
Gross service revenues			
Domestic market	1,694,457	3,052,565	2,442,964
Foreign market	2,332,187	4,201,434	6,712,438
	4,026,644	7,253,999	9,155,402
Taxes and contributions on services	(103,884)	(187,147)	(175,693)
Net service revenues	3,922,760	7,066,852	8,979,709
Cost of services rendered	(3,233,938)	(5,825,940)	(7,988,394)
Gross profit	688,822	1,240,912	991,315
Operating expenses			
General and administrative expenses	(387,613)	(698,284)	(618,244)
Directors' remuneration expenses	(4,079)	(7,347)	(6,613)
Operating profit before the results of equity interests and financial results, net	297,130	535,281	366,458
Results from investments in associated companies			
Equity in the results (Note 9 (a) (ii))	98,712	177,830	178,592
Dividends received and others	8,381	15,099	11,472
Financial result			
Financial result, net (Note 15)	(181,343)	(326,693)	434,944
Operating profit before other expenses, net	222,880	401,517	991,466
Other expenses, net (Note 20)	(11,691)	(21,060)	(50,020)
Income profit before social contribution, income tax, and minority interest	211,189	380,457	941,446
Social contribution (Note 13 (a))	(3,713)	(6,689)	(30,503)
Income tax (Note 13 (a))	(50,595)	(91,146)	(289,240)
Income profit before minority interest	156,881	282,622	621,703
Minority interest	(3,808)	(6,861)	(4,292)
Net income for the period	153,073	275,761	617,411

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

Construtora Norberto Odebrecht S.A.

Statements of Changes in Stockholders' Equity In thousands of reais, unless otherwise indicated

	Revenue reserves						Total
	Capital	Legal	Tax incentives	Investments (statutory)	Future capital increase	Equity evaluation adjustment	
At December 31, 2008	1,378,375	137,097	15,406	697,711		281,602	2,510,191
Equity evaluation adjustment (Note 14 (d))							
Net income for the period - R\$ 2.189 per capital share						(223,473)	(223,473)
At June 30, 2009 (Unaudited)	1,378,375	137,097	15,406	697,711		58,129	2,904,129
At December 31, 2009	1,378,375	186,298	15,406	1,189,277	275,000	(89,794)	2,954,562
Capital decrease (Notes 1 (ii) and 14 (a))	(265,249)						(265,249)
Equity evaluation adjustment (Note 14 (d))						(49,509)	(49,509)
Net income for the period - R\$ 0.977 per capital share							
At June 30, 2010 (Unaudited)	1,113,126	186,298	15,406	1,189,277	275,000	(139,303)	2,915,565

Construtora Norberto Odebrecht S.A.

Statements of Changes in Stockholders' Equity In thousands of U.S. dollars, unless otherwise indicated

(continued)

	Revenue reserves						Total
	Capital	Legal	Tax incentives	Investments (statutory)	Future capital increase	Equity evaluation adjustment	
At December 31, 2009	765,126	103,413	8,551	660,159	152,651	(49,844)	1,640,056
Capital decrease (Notes 1 (ii) and 14 (a))	(147,238)						(147,238)
Equity evaluation adjustment (Note 14 (d))						(27,482)	(27,482)
Net income for the period - R\$0.977 per share							153,073
At June 30, 2010 (Unaudited)	617,888	103,413	8,551	660,159	152,651	(77,326)	1,618,409

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Statements of Cash Flows Six-month Periods Ended June 30 (unaudited) In thousands of reais and U.S. dollars

		2010	2009
	US\$		R\$
Cash flows from operating activities			
Net income before income tax and social contribution	207,381	373,596	937,154
Adjustments:			
Investments in associated companies:			
Equity in the results of associated companies and others	(107,093)	(192,929)	(190,064)
Decrease (increase) of construction contracts revenue	(245,025)	(441,412)	460,900
Depreciation and amortization	126,840	228,502	298,971
Residual value of property and equipment and project costs disposals	17,380	31,312	44,148
Interest and monetary and exchange variation, net	206,423	371,869	(506,901)
Minority interest	3,808	6,861	4,292
Cash obtained from operations	209,714	377,799	1,048,500
Changes in assets and liabilities:			
Financial investments	(1,291)	(2,325)	7,557
Accounts receivable	(725,766)	(1,307,468)	(837,265)
Inventories	15,638	28,171	24,867
Taxes recoverable	12,370	22,285	(84,888)
Prepaid expenses	(10,530)	(18,970)	57,519
Other assets	(128,040)	(230,664)	(220,494)
Suppliers and subcontractors	28,790	51,866	(78,468)
Advances from customers	545,513	982,742	328,720
Income tax and social contribution	(20,857)	(37,573)	(125,745)
Taxes, rates, salaries and payroll charges	22,188	39,971	235,286
Other liabilities	104,112	187,556	292,855
Net cash obtained from operating activities	51,841	93,390	648,444
Cash flow from investing activities			
Additions to investments	(18,321)	(33,005)	(663)
Additions to property and equipment and intangibles	(123,959)	(223,312)	(174,854)
Marketable securities and investments and properties for sale	(8)	(15)	11,399
Net cash used in investing activities	(142,288)	(256,332)	(164,118)
Cash flow from financing activities			
Related parties			
Repayment	(894,240)	(1,610,973)	(697,702)
Funds obtained	729,364	1,313,950	306,614
Short-term and long-term debt, net			
Funds obtained	357,392	643,841	1,376,242
Repayment - principal	(335,691)	(604,747)	(1,417,746)
Repayment - interest	(46,127)	(83,097)	(89,836)
Net cash used in financing activities	(189,302)	(341,026)	(522,428)
Effect of exchange rate changes on cash and cash equivalents	(70,105)	(126,295)	(220,050)
Net decrease in cash and cash equivalents	(349,854)	(630,263)	(258,152)
Cash and cash equivalents at the beginning of the period	1,663,162	2,996,187	2,270,365
Cash and cash equivalents at the end of the period	1,313,308	2,365,924	2,012,213

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

**Notes to the Consolidated Financial Statements
at June 30, 2010 and 2009 (unaudited) and at December 31, 2009**
In thousands of reais and U.S. dollars, unless otherwise indicated

1 Operations

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

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

In the heavy civil construction segment, the Company and its main indirect subsidiary companies in Brazil, CBPO Engenharia Ltda. (“CBPO”) and Odebrecht Serviços de Engenharia e Construção S.A. (“OSEC”), develop construction projects involving highways, railways, hydroelectric, thermoelectric and nuclear plants, port installations, dams, and other industrial and infrastructure projects.

The main projects currently in progress in Brazil are: Santo Antônio hydroelectric plant in the State of Rondônia, Submarine Project in the State of Rio de Janeiro, Renest refinery of Petróleo Brasileiro S.A. (“Petrobras”), Sugarcane Plants for EHT/Brenco, Transnordestina railway in the states of Piauí/Pernambuco, D. Pedro I highway in the State of São Paulo, Repar refinery in the State of Paraná, and Petrobras’ P59 and P60 Platforms, in addition to many contracts to render services in oil platforms and petrochemical plants. Overseas, the Company has projects in 13 countries and the main ones are located in Venezuela (Maracaibo Plain Socialist Agrarian Project – El Dilúvio Irrigation, bridge over the Orinoco River, lines 3 and 5 of the Caracas subway, Guarenas Guatire subway, lines 1 and 2 of Los Teques subway, and Tocoma hydroelectric plant), in the United States of America (Orange Line subway in Miami), in Colombia (Ruta Del Sol Road), in Argentina (expansion of a pipeline and Paraná de las Palmas Water Treatment Plant), in Peru (Chaglia hydroelectric plant and electric train), in Libya (Tripoli airport and ring road), in Angola (highway works, sanitation projects, urbanization, and several infrastructure projects), in the Dominican Republic (Coral road, Palomino hydroelectric plant, and Samana sanitation project), in Panama (water collection system and water treatment plant), and in Mozambique (infrastructure work for the Moatize Mine of Vale S.A. (“Vale”) and International Airport of Nacala).

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In the process of obtaining and performing contracts in Brazil and overseas, the Company and its subsidiaries use surety bonds obtained with the support of OCS - Odebrecht Administradora e Corretora de Seguros Ltda. ("OCS"), which is part of the Odebrecht Organization, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market (Note 16).

(i) Participation in the diamond sector

Through its investees, the Company also conducts mineral prospecting and exploration. Its wholly-owned indirect subsidiary Odebrecht Mining Services, Inc. ("OMSI") holds 16.4% in Sociedade Mineira de Catoca, Limitada ("Catoca"), which conducts prospecting, recognition, exploration, treatment and sale of diamonds and other ores in the Catoca Project in the Luanda Sul Province (Angola), having a concession from the Angolan Government to exploit diamonds mined from the kimberlite area. Currently, Catoca is investing in two new concession areas, Luemba and Lapi.

Additionally, the Company also holds, through OMSI, 50% of Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L. ("SDM"), which conducts prospecting, exploration and sale activities of diamonds extracted in a concession area granted by the Angolan Government in the Hydrographic Basin of the Cuango River (Angola). SDM has a concession for diamond mining in the Luzamba region, and this exploration was terminated at December 31, 2009, as the economically viable diamond reserves had been depleted. The Company's management has been analyzing new concessions, as well as other projects for diamond exploration in the region. As at June 30, 2010, the Company's indirect interest in the equity of SDM amounts to R\$ 12,712 - US\$ 7,056 (December 31, 2009 - R\$ 5,872). Management does not expect additional losses arising from the realization of the existing assets on the balance sheet date, as they will be sufficient to cover the existing obligations.

(ii) Corporate restructuring

Following the corporate restructuring process started in 2004 for the optimization of the Organization structure, the concentration of the current accounts in the Company as the manager of the current account agreement and central management of the cash balances maintained by the Organization companies, and the corporate segregation of the engineering and construction segments, real estate projects, environmental engineering, construction and assembly of industrial plants and investments in infrastructure and oil and gas segments, the following main transactions were performed in 2009 and 2010:

- On December 31, 2009, the stockholder Odebrecht S.A. ("ODB") sold to the Company and its direct subsidiary Belgrávia Empreendimentos Imobiliários S.A. ("Belgrávia"), its interest in the direct subsidiaries Odebrecht Plantas Industriais e Participações S.A. ("OPIP") and OSEC at book value of December 31, 2009 for R\$ 228,570 - US\$ 126,878 and R\$ 168,878 - US\$ 93,743, respectively, with a corresponding entry to the existing current account with the Company and Belgrávia.

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- . On December 31, 2009, the Extraordinary Stockholders' Meeting approved the subscription and payment of the capital increase of Odebrecht Serviços e Participações S.A. ("OSP") by R\$ 735,901 - US\$ 408,493 with shares issued by Braskem S.A. ("Braskem") held by the direct subsidiary Belgrávia at book value of November 30, 2009.
- . On January 5, 2010, the Extraordinary Stockholders' Meeting approved the capital increase of ETH Bionergia S.A. ("ETH") by R\$ 217,698 - US\$ 120,843, with the issue of 301,771,580 new shares with credits held between the Company and ETH. On February 25, 2010, the Company subscribed and paid up capital in ETH Investimentos S.A. ("ETHINV") amounting to R\$ 191,693 - US\$ 106,407 with the investment held in ETH.
- . On March 31, 2010, the Extraordinary Stockholders' Meeting approved the reduction of the Company' capital by R\$ 204,257 - US\$ 113,382, without the cancellation of shares. As a result of this reduction, the investment held by the Company in ETHINV was transferred to ODB (Note 14 (a)).
- . On April 30, 2010, the Extraordinary Stockholders' Meeting approved the partial spin-off of the equity of OPIP, stated at book value, on the same date, with the transfer of the spun off portion to the Company.
- . On May 31, 2010, the investment in Odebrecht Óleo e Gás Angola ("OOGA"), which was previously held by Odebrecht Óleo e Gás S.A. ("OOG"), was transferred to the Company, at the book value of US\$ 100.00, by means of the capitalization of a book entry current account (Note 10).
- . On June 10, 2010, Belgrávia issued and subscribed 14,146,918 new common shares at the book value of R\$ 4.24 each, which were fully paid up by the Company, in the amount of R\$ 60,000 by means of the capitalization of a book entry current account.
- . On June 22, 2010, the capital of OSEC was reduced by R\$ 60,992 - US\$ 33,856, without the cancellation of shares, by means of the transfer of the investment held in the Concessionária Rota das Bandeiras ("Rota das Bandeiras") to its stockholder Belgrávia on the base date May 31, 2010.
- . Also on June 22, 2010, the capital of Belgrávia was reduced by R\$ 60,992 - US\$ 33,856, without the cancellation of shares, by means of the transfer of the investment held in the Rota das Bandeiras to the Company on the base date May 31, 2010. In turn, the Company reduced its capital by transferring the investment received from Belgrávia in Rota das Bandeiras to the stockholder ODB (Note 14 (a)).

The Company and its subsidiaries, as participants in the corporate restructuring process, may be affected by economic and/or corporate aspects as a result of the outcome of this process.

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(iii) Financial position and ratings

In October 2009, ODB's subsidiary, Odebrecht Finance Ltd. ("OFL"), issued Bonds of US\$ 500,000 (Note 11 (i) (h)). Part of these funds raised was used to reimburse CNO for advanced payments made during the year. These funds, plus financial resources arising from significant receipts of advances from customers and invoices in 2009, comprise the balance of cash and cash equivalents and financial investments at the end of the year.

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

In December 2009, the rating agency Moody's started to cover CNO, assigning it a Baa3 investment grade rating on the global scale and Aa1.br on the Brazilian national scale.

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

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

2 Financial Statements Presentation and Significant Accounting Practices

2.1 Presentation of the consolidated financial statements

These financial statements were approved by the Company's Executive Board on August 27, 2010.

These financial statements were prepared and are presented in accordance with the accounting practices adopted in Brazil based on the requirements of Brazilian corporate law.

In the preparation of the consolidated financial statements, it is necessary to utilize estimates to record certain assets, liabilities, revenues and expenses. Therefore, these financial statements include various estimates relating to the selection of the useful lives of property and equipment, measurement of revenue earned from services rendered under long-term contracts, provisions for contingent liabilities, determination of provisions for income tax and other matters. Although these estimates have been made with the highest accuracy possible, they may differ from the actual amounts and data.

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The significant accounting practices adopted in the preparation of these financial statements correspond to the standards and guidelines that are in effect for the financial statements for the year ended December 31, 2009, which will be different from those that will be used in the preparation of the financial statements for December 31, 2010, as described in Note 2.3 below.

2.2 Description of the significant accounting practices adopted

The significant accounting practices adopted in the preparation of these consolidated financial statements are described below:

(a) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, and highly liquid short-term investments that can be readily converted into a known amount of cash and that are subject to insignificant risk of change in value, stated at cost plus income accrued up to the balance sheet date, not exceeding market value.

(b) Financial instruments

(i) Classification and measurement

The Company classifies its financial assets in the following categories: measured at fair value through profit or loss, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at the initial recognition.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are the financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. The assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are presented in the Statement of Income in the "Financial Result" account in the period they are accrued or incurred, unless the instrument has been contracted in connection with another operation. In this case, the changes are recognized in the same income statement account affected by said operation

Loans and receivables

This category includes the loans granted and receivables that are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They are classified as current assets, except for those falling due more than 12 months after the balance sheet date (these are classified as non-current assets).

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The Company's loans and receivables include loans to entities of the Odebrecht Organization, trade accounts receivable, other accounts receivable and cash and cash equivalents, except short-term investments. Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Held-to-maturity assets

These are basically the financial assets that cannot be classified as loans and receivables because they are quoted in an active market. In this case, these financial assets are acquired with the intention and financial capacity for their maintenance in the portfolio up to maturity. They are stated at cost of acquisition, plus accrued earnings credited to the statement of income, using the effective interest rate method.

Available-for-sale financial assets

The available for sale financial assets are non-derivatives that are not classified in the categories described above. They are included in non-current assets, unless management intends to dispose of the investment within twelve months after the balance sheet date. The available-for-sale financial assets are accounted for at fair value. The interest on available-for-sale securities, calculated using the effective interest rate method, is recognized in the Statement of Income in the "Financial result, net" account. The portion related to the change in fair value is recorded against stockholders' equity in the "Equity evaluation adjustment" account, and transferred to the statement of income upon sale or impairment.

Fair value

The fair values of the investments that are publicly quoted are based on current purchase prices. For the financial assets that do not have an active market or that are not publicly quoted, the Company determines fair value by means of valuation techniques.

These techniques include the use of recent arm's length market transactions, the reference to other substantially similar instruments, the discounted cash flow analysis and option pricing models that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

At the balance sheet date, the Company evaluates whether there is objective evidence that a financial asset or a group of financial assets is recorded at an amount that exceeds its recoverable amount (impairment). If there is any evidence for the available-for-sale financial assets, the cumulative loss - measured as the difference between the cost of acquisition and the current fair value, less any impairment loss on this financial asset that was previously recognized in income or loss - is transferred from stockholders' equity to the Statement of Income. At June 30, 2010 and December 31, 2009, the Company did not identify any financial assets with recoverable amounts lower than their carrying values.

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(ii) Derivative instruments and hedge activities

Initially, derivatives are recognized at fair value, on the date when the contract is entered into. They are subsequently remeasured at their fair value with the changes in fair value recorded in the Statement of Income.

Although the Company uses derivatives for the purposes of protection, it has not designated any instruments as hedges for accounting purposes.

The fair value of derivative financial instruments is disclosed in Note 19 (e).

(c) Trade accounts receivable

Initially, trade accounts receivable are stated at present value, less the allowance for doubtful accounts, which, when applicable, is established at an amount considered sufficient by management after analyzing the operations and taking into consideration the economic scenario of the countries in which it operates, past experience, specific portfolio risks and negotiations in progress, as well as administrative or judicial collection proceedings. The amount of the allowance is the difference between the book value and realizable value.

(d) Inventories

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

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

(e) Income tax and social contribution

Deferred income tax and social contribution are calculated on tax loss carryforwards and temporary differences between the tax bases of assets and liabilities and book values in the financial statements. The rates of these taxes, currently established for determining deferred assets and liabilities, are 25% for income tax and 9% for social contribution (Note 13 (b)).

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available for use to offset temporary differences and/or tax losses, based on projections of future results prepared and based on internal assumptions and future economic scenarios that may, therefore, not materialize as expected.

(f) Judicial deposits

Deposits are monetarily restated and presented as a deduction from the corresponding liability when there is no possibility of redemption of said deposits, unless there is a favorable outcome for the Company and its subsidiaries in the dispute.

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(g) Investments in subsidiaries and associates

Cost and/or equity value

Associates are investees on which the Company has a significant influence on management and are recorded on the equity method. Significant influence is presumed when the ownership interest directly or indirectly represents twenty percent (20%) or more of the investee's voting capital. According to this method, the interest of the Company in the increase or decrease of an associate's net equity, after the acquisition, due to the net income or loss for the period or due to gains or losses in capital reserves or prior year adjustments, is recognized as operating income or expense.

In the case of foreign exchange variation on investments in foreign associates and subsidiaries as from 2008, the changes in the amount of the investments exclusively arising from foreign exchange variation are recorded in the "Equity evaluation adjustment" account in the Company's stockholders' equity and are only recorded in income or loss for the year upon their realization. Additionally, investments in branches that are operationally and financially independent are recorded using the equity method.

For the purposes of calculating equity in earnings of associates and subsidiaries, intercompany gains or transactions are eliminated upon consolidation. Unrealized losses are also eliminated, unless the transaction presents evidence of impairment of the transferred asset. When necessary, the accounting practices of subsidiaries and associates are changed to ensure consistency with the accounting practices adopted by the Company.

Goodwill/negative goodwill

The goodwill or negative goodwill determined upon the acquisition of an investment is the difference between the purchase price and the book value of the net equity of the company acquired. Negative goodwill is amortized only upon the disposal of the investment.

The Company's investments in associates include goodwill paid upon their acquisition and supported by expectations of future results, net of accumulated amortization recognized up to December 31, 2008, as this goodwill ceased to be systematically amortized as from the year started January 1, 2009, as required by CPC 13 – First-time adoption of Law No. 11,638/07 ("CPC 13"). However, the goodwill based on the expectation of future results is subject to the impairment tests based on the pronouncement CPC 01 – Impairment of Assets ("CPC 01"), and is now presented in intangible assets as a result of the changes introduced by Laws No. 11,638/07 and No. 11,941/09, as well as by MP No. 449/08.

(h) Translation of foreign currency

The foreign currency items included in the consolidated financial statements are primarily measured using the currency that best reflects the economic relevance and substance of related events and circumstances ('functional currency').

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The consolidated financial statements are presented in Brazilian reais, which is the Company's functional and the group's presentation currency under CPC 02 - Effects of the changes in exchange rates and translation of the financial statements ("CPC 02").

The transactions in foreign currency are translated into Brazilian reais using the exchange rates prevailing on the date of the transactions. Balance sheet accounts are translated at the exchange rate prevailing on the balance sheet date. Exchange gains and losses resulting from the settlement of these transactions and translation of monetary assets and liabilities denominated in foreign currency are recognized in the Statement of Income. The financial statements of the Company's foreign investees are translated in accordance with the guidelines in pronouncement CPC 02. The effects of the exchange variation arising from this translation are recorded in the Company's stockholders' equity in the "Equity evaluation adjustment" account, and are only recognized in Statement of Income upon their effective realization.

(i) Property and equipment

Property and equipment comprises, mainly of, machinery and equipment used in civil construction contracts and is depreciated on the straight-line basis at the annual rates mentioned in Note 10, which take into consideration the economic useful lives of the assets. Land is not depreciated.

Gains and losses on disposals are determined by comparing the disposal amounts with book values and are recorded as "other income (expenses), net" (Note 20).

Repair and maintenance costs are allocated to the Statement of Income as incurred. The cost of the main renovations of fixed assets is added to the book value of the asset when it is likely that the future economic benefits that exceed the initially estimated performance standard for the existing asset will be obtained by the Company and its subsidiaries. The main renovations are depreciated over the remaining useful life of the related asset.

(j) Intangible assets

These are represented by acquired licenses of computer programs that are capitalized and amortized over their estimated useful life, as well as goodwill attributed to expected future profitability that was originally recorded in the investment account (Note 2.2 (g)).

Costs associated with the development or maintenance of software are recognized as expenses as they are incurred. Costs directly related to identifiable and exclusive software, controlled by the Company and that will probably generate higher economic benefits than the costs for longer than a year are recognized as intangible assets. Direct costs include remuneration of the employees of the software development team and a portion of the related general expenses. Costs with development of software recognized as assets are amortized on the straight-line basis over their useful lives up to ten years.

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(k) Deferred charges

Deferred charges comprise mainly pre-operating and reorganization expenses that are amortized over a maximum period of ten years based on the period for the completion of the works.

As allowed by Law No. 11,941/09 and MP No. 449/08, the balance of deferred charges existing at December 31, 2008 was maintained until its full amortization, subject to annual impairment analysis.

(l) Impairment of assets

Property and equipment and other non-current assets, including goodwill, intangible assets and the balance of deferred charges, are reviewed for impairment annually or whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. The loss is recognized at the amount by which the book value of the asset exceeds its recoverable amount, which is the higher of the net sale price and the value in use of an asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which a provision for impairment losses has been recognized are reviewed for possible reversal of the provision at the balance sheet date.

(m) Leases

Leases of property and equipment in which the Company assumes substantially all risks and benefits of ownership are classified as financial leases. Financial leases are capitalized at the inception of the lease as a property, plant and equipment with a corresponding financial liability (lease). Property and equipment acquired in a financial lease are depreciated at the rates disclosed in Note 10.

Leases in which a significant part of the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made for operating lease are allocated to the Statement of Income on the straight-line basis over the term of the lease (Note 21).

(n) Provisions

Provisions are recognized when the Company has a present legal or informal obligation as a result of past events, it is likely that assets will be surrendered to settle the obligation and a reliable estimate of the amount can be made. The Company recognizes a provision for onerous contracts when the benefits that are expected to be obtained under a contract are lower than the inevitable costs to meet the contractual obligations assumed.

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(o) Debts

Debts are initially recognized on the receipt of funds, at fair value, net of transaction costs. Debts are subsequently presented at amortized cost, that is, increased by charges and interest on a pro rata temporis basis in the period they were incurred.

(p) Recognition of revenues

Revenues from construction contracts are recognized based on the percentage of completion of each contract on the base date of the financial statements. The method used to determine the percentage of completion takes into consideration the proportion between the costs incurred in the services provided to that date, and the total costs estimated for the contract. When revenue from construction contracts cannot be reliably calculated using this method, the Company and its subsidiaries take into consideration an estimate of the work performed up to the relevant date. The revenues from construction that exceeds allocated revenues are recorded in the advances from customers account in current and non-current liabilities, in accordance with the construction term.

(q) Basis of translation

The accounting records are maintained in reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the June 30, 2010 local currency financial statements, using the exchange rate prevailing on that date of R\$ 1.8015 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.

2.3 Standards and interpretations of standards that may affect the financial statements for 2010

The standards and interpretations of standards listed below were published and are effective for the years beginning on or after January 1, 2010.

The financial statements for the six-month periods ended June 30, 2010 and 2009 and for the year ended December 31, 2009 were prepared in accordance with the accounting practices adopted in Brazil, which cover corporate law, pronouncements, guidelines and interpretations issued by the Accounting Pronouncement Committee ("CPC") and the standards issued by the Federal Accounting Board (CFC).

In the preparation of the financial statements for the six-month periods ended June 30, 2010 and 2009 and for the year ended December 31, 2009, the Company adopted the changes in corporate law introduced by Law No. 11,638 of December 28, 2007 ("Law No. 11,638/07"), and the respective amendments introduced by provisional Measure No. 449/08, which was subsequently converted into Law No. 11,941 of May 27, 2009 ("Law No. 11,941/09").

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Laws No. 11,638 and No. 11,941/09 amended Law No. 6,404/76 (Brazilian Corporate Law) in aspects related to the preparation and disclosure of the financial statements and their main objective is to update Brazilian corporate legislation so that the accounting practices adopted in Brazil can converge with those of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB).

In 2009, the CFC approved many Pronouncements, Interpretations and Technical Guidelines issued by the CPC for 2010 that changed the accounting practices adopted in Brazil. As allowed by the CFC, management chose to present its interim financial statements using the accounting standards adopted in Brazil until December 31, 2009.

The standards listed below are only those that can (or should) have a more significant impact on the financial statements of the Company and its subsidiaries. According to these new standards, the figures for the six-month periods ended June 30, 2010 and 2009 and for the year ended December 31, 2009, presented in these financial statements, will be restated for comparison purposes when the 2010 financial statements are presented.

(a) Pronouncements

- . CPC 15 - Business combinations
- . CPC 16 - Inventories
- . CPC 19 - Investment in a joint venture
- . CPC 20 - Borrowing costs
- . CPC 22 - Segment information
- . CPC 26 - Presentation of the financial statements
- . CPC 31 - Non-current assets held for sale and discontinued operations
- . CPC 33 - Benefits to employees
- . CPC 34 - Exploration and evaluation of mineral resources
- . CPC 36 - Consolidated statements
- . CPC 38 - Financial instruments: recognition and measurement
- . CPC 39 - Financial instruments: presentation
- . CPC 40 - Financial instruments: disclosure

(b) Interpretations

- . CPC Interpretation (ICPC) 01 – Concession contracts
- . CPC Interpretation (ICPC) 08 - Accounting for dividend payment proposal
- . CPC Interpretation (ICPC) 09 - Individual and consolidated financial statements and application of the equity method

The Company and its subsidiaries are in the process of assessing the potential effects related to these pronouncements, interpretations and guidelines, which may have an impact on the financial statements for the six-month periods ended June 30, 2010 and 2009 and year ended December 31, 2009 to be restated. This is why the estimates of the possible effects on stockholders' equity and income or loss are not presented.

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2.4 Consolidated financial statements

- (i) The consolidated financial statements have been prepared in accordance with the consolidation practices provided for in Brazilian corporate law, and comprise the financial statements of the Company and its direct and indirect subsidiaries, in addition to the overseas branches presented below:

	Country	Direct and indirect holding (%)	
		June 30, 2010	December 31, 2009
Auto Pista Del Coral S.A. (a)	Dominican Republic	50.00	50.00
Atlantic Charter LLC	USA	100.00	100.00
Belgrávia	Brazil	100.00	100.00
Bento Pedroso Construções S.A. ("BPC")	Portugal	100.00	100.00
Brazilian Olex Importação e Exportação S.A. Shanghai Representative Office (a)	China	100.00	100.00
CBPO	Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina	Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile	Chile	100.00	100.00
CBPO Engenharia Ltda. - Peru	Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguai	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Engenharia Ltda. - Panamá (e)	Panamá	100.00	
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Ltd.	Cayman Islands	100.00	100.00
Centaurus Participações S.A.	Cayman Islands	100.00	100.00
CODEPA - Companhia de Desenvolvimento e Participações S.A. (a)	Brazil	100.00	100.00
Companhia de Obras e Infra Estrutura	Brazil	100.00	100.00
Conirsa S.A.	Peru	70.00	70.00
Constructora Norberto Odebrecht de Colombia Ltda.	Colombia	100.00	100.00
Constructora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Constructora Odebrecht Chile S.A.	Chile	100.00	100.00
Constructora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
Constructora Norberto Odebrecht Bolivia S.A.	Bolivia	100.00	100.00
Constructora Norberto Odebrecht de Panamá S.A.	Panamá	100.00	100.00
Constructora Norberto Odebrecht S.A. - Angola	Angola	100.00	100.00
Constructora Norberto Odebrecht S.A. - Argelia	Argelia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Argentina	Argentina	100.00	100.00
Constructora Norberto Odebrecht S.A. - Bolivia	Bolivia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Colombia	Colombia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Constructora Norberto Odebrecht S.A. - Arab Emirates	Arab Emirates	100.00	100.00
Constructora Norberto Odebrecht S.A. - Ecuador	Ecuador	100.00	100.00
Constructora Norberto Odebrecht S.A. - Spain	Spain	100.00	100.00
Constructora Norberto Odebrecht S.A. - Mexico	Mexico	100.00	100.00
Constructora Norberto Odebrecht S.A. - Mozambique	Mozambique	100.00	100.00
Constructora Norberto Odebrecht S.A. - Panamá	Panamá	100.00	100.00
Constructora Norberto Odebrecht S.A. - Peru	Peru	100.00	100.00
Constructora Norberto Odebrecht S.A. - Dominican Republic	Dominican Republic	100.00	100.00
Constructora Norberto Odebrecht S.A. - Uruguai	Uruguai	100.00	100.00
Constructora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Dhaw ahi Almadeena Construction LLC	USA	100.00	100.00
Dominicana Ingeniería y Construcción S.A.	Dominican Republic	100.00	100.00
Energipar Participações S.A.	Brazil	100.00	100.00
Libyan Brazilian Construction and Development Company	Libia	60.00	60.00
Multitrade S.A.	Brazil	100.00	100.00
Odebrecht Global Sourcing, Inc. (a) (d)	USA	100.00	100.00
Odebrecht Construction International Inc. (a)	USA	100.00	100.00
Odebrecht Services GMBH (a)	Austria	100.00	100.00

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	Country	Direct and indirect holding (%)	
		June 30, 2010	December 31, 2009
Odebrecht Angola Projectos e Serviços Ltda.	Angola	100.00	100.00
Odebrecht Argentina S.A. (a)	Argentina	100.00	100.00
Odebrecht Construction International, Inc.	Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.	Malta	100.00	100.00
Odebrecht Construction, Inc. ("OCI")	USA	100.00	100.00
Odebrecht Djibouti FZCO	Djibouti	100.00	100.00
Odebrecht Engenharia e Construção S.A.	Brazil	100.00	100.00
Odebrecht Equipamentos Ltda.	Brazil	100.00	100.00
Odebrecht Engeneering & Construction Ltd.	Malta	100.00	100.00
Odebrecht Holding GMBH (a)	Austria	100.00	100.00
Odebrecht Ingeniería y Construcción de España, S.L.	Spain	100.00	100.00
Odebrecht Ingeniería y Construcción de Mexico, S de RL de CV.	Mexico	100.00	100.00
Odebrecht International B.V.	Netherlands	100.00	100.00
Odebrecht Investimentos e Participações SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Rodoviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Mining Services Inc. ("OMSI")	Cayman Islands	100.00	100.00
Odebrecht Services Limited (c)	England	100.00	100.00
Odebrecht Overseas Limited ("OOL")	Bahamas	100.00	100.00
Odebrecht Oil and Gás Angola ("OOGA") (f)	Angola	100.00	
Odebrecht Peru Ingeniería y Construcción S.A.C. ("OPIC")	Peru	100.00	100.00
Odebrecht Plantas Industriais Participações S.A. ("OPIP") (b)	Brazil	100.00	100.00
OLEX Import and Export S.A. ("OLEX")	Brazil	100.00	100.00
OSEL - Odebrecht Serviços no Exterior Ltd. ("OSEL")	Cayman Islands	100.00	100.00
Odebrecht Serviços Engenharia e Construção S.A. ("OSEC") (b)	Brazil	100.00	100.00
Tenenge (UK) Ltd.	England	100.00	100.00
Tenenge Overseas Corp. ("TOC")	Cayman Islands	100.00	100.00
Companies proportionally consolidated			
SDM	Angola	50.00	50.00
Catoca	Angola	16.40	16.40
Proyectos Ebramex S. de R.L. de C.V.	Mexico	33.33	33.33
Mina-Trico.S.de R.L. de C.V.	Mexico	33.33	33.33
Participações Energéticas S.A.	Brazil	50.00	50.00
Obras Civis, L.N.2.2. ACE	Portugal	63.90	63.90
BPC, CBPO, Somague, Profabril, Kaiser e Acer, ACE	Portugal	50.00	50.00
Obras Civis, L.N. 2.1. ACE	Portugal	40.00	40.00
Lismercado Construções – Bento Pedroso, Somague, H.Hagen, ACE	Portugal	40.00	40.00
Somague, BPC, Engil, SPIE em ACE	Portugal	26.32	26.32
Somague, BPC, Engil, SPIE-S.B.E.S. - Prolongamento da Linha Vermelha do Metropolitano, ACE	Portugal	26.32	26.32
Somague-Bento Pedroso-Nesco-Dragados, ACE	Portugal	25.00	25.00
Edifer, Soconstroi, BPC, Somague e Acciona, ACE	Portugal	20.00	20.00
Norace – Construtoras das Auto-estradas do Norte, ACE	Portugal	17.34	17.34
Vianor – Construtoras das Auto-estradas da Costa de Prata, ACE	Portugal	17.25	17.25
Lusitânia – Construtoras das Auto-estradas das Beiras Litoral e Alta, ACE	Portugal	17.25	17.25
Portuscale – Construtoras das Auto-estradas do Grande Porto, ACE	Portugal	17.25	17.25
TACE - Construção da Travessia Rodoviária de Tejo, ACE	Portugal	16.67	16.67
Agrupamento para a Construção da Segunda Travessia do Tejo, ACE	Portugal	14.34	14.34
Baixo Sabor - Bento pedroso Construções e Lena Engenharia e Construções, ACE	Portugal	50.00	50.00
Glace - Construtoras das Auto-estradas de Grande Lisboa, ACE	Portugal	17.25	17.25
Glex - Expropriações da Grande Lisboa, ACE	Portugal	14.23	14.23
United ODB LDC.	Arab Emirates	50.00	50.00
Xingu - Sócio Ambiental Ltda.	Brazil	33.33	33.33

(a) Company founded in 2009.

(b) Investment acquired in 2009.

(c) The former corporate name Odebrecht Oil and Gas Services Ltd. was changed in 2008.

(d) The former corporate name Odebrecht - Olex International Inc. was changed in 2009.

(e) Company founded in 2007, operating from June 2010.

(f) Investment acquired in 2010.

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(ii) Information on the main direct and indirect subsidiaries included in consolidation:

	Number of shares or quotas directly or indirectly held		Stockholders' equity		Net income (loss) for the six-month period ended June 30,			
	December 31, 2009		December 31, 2009		2010		2009	
	June 30, 2010	December 31, 2009	US\$	R\$	US\$	R\$	US\$	R\$
BPC	7,399,859	7,399,859	137,702	248,070	7,867	14,172	6,333	6,333
CBPO	2,321,413	2,321,413	499,668	900,152	(18,189)	(32,767)	(25,196)	(25,196)
OCI	86,806,032	86,806,032	159,095	286,609	13,196	23,772	26,295	26,295
OOL	165,213,213	165,213,213	200,120	360,517	(12,660)	(22,806)	197,973	197,973
OPIC	4,357,442	4,357,442	96,192	173,290	8,281	14,917	5,762	5,762
OSEL	100,000,000	100,000,000	267,818	482,474	(25,010)	(45,056)	200,896	200,896
SDM - jointly controlled	225,000	225,000	14,113	25,425	(11,636)	(20,963)	(38,186)	(38,186)
CATOCA - jointly controlled	1	1	117,822	212,257	58,063	104,600	3,841	3,841
Construtora Norberto Odebrecht S.A. - Venezuela (Branch)			41,625	74,967	317	572	10,302	10,302
OPIP (a)	300,000,000	300,000,000	121,961	219,713	6,715	12,097		
OSEC (a)	301,007,957	301,007,957	60,855	109,631	969	1,745		

(a) Investments acquired on December 31, 2009 (Note 1 (iii)).

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Notes to the Consolidated Financial Statements at June 30, 2010 and 2009 (unaudited) and at December 31, 2009 In thousands of reais and U.S. dollars, unless otherwise indicated

- (iii) In the consolidated financial statements, the investors' interests in the investees' net worth and results, balances of intercompany assets, liabilities, income and expenses were eliminated. Minority interests in stockholders' equity and net income or loss for the year are presented separately. The asset, liability, income and expense accounts of jointly controlled subsidiaries are consolidated in proportion to the total ownership of their capital.
- (iv) The balance sheets and the net income or loss proportionally consolidated, in accordance with the accounting practices adopted in Brazil, for the main jointly-controlled companies are summarized as follows (amounts equivalent to the participation percentage of the Company):

	SDM				Catoca	
	June 30, 2010		December 31, 2009		December 31, 2009	
	US\$	R\$	US\$	R\$	US\$	R\$
Current assets	460	830	4,316	26,318	47,412	49,972
Non-current assets	9,791	17,639	8,526	2,621	4,721	4,110
Permanent assets				26,219	47,234	46,674
Current liabilities	2,990	5,387	6,213	27,923	50,303	48,252
Non-current liabilities	205	370	757	7,912	14,254	16,789
Stockholders' equity	7,056	12,712	5,872	19,323	34,810	35,715

	SDM		Catoca		SDM		Catoca	
	2010		2009		2010		2009	
	US\$	R\$	US\$	R\$	US\$	R\$	US\$	R\$
Net income (loss) for the semester	(5,818)	(10,482)	9,522	17,154	(10,598)	(19,093)	350	630

3 Financial investments

	June 30, 2010		December 31, 2009
	Held-to-maturity - Total		Total
	US\$	R\$	R\$
Certificates of deposit	77,397	139,431	134,763
Others	4,793	8,635	4,011
	82,190	148,066	138,774
Current assets	(77,397)	(139,431)	(134,771)
Non-current assets	4,793	8,635	4,003

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Notes to the Consolidated Financial Statements
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4 Trade accounts receivable

		June 30, 2010	December 31, 2009
	US\$		R\$
Public sector			
Federal	1,992,630	3,589,723	2,701,751
State	365,991	659,332	549,045
Municipal	260,073	468,523	381,982
	2,618,694	4,717,578	3,632,778
Private sector	417,582	752,274	739,220
	3,036,276	5,469,852	4,371,998
Current assets	(2,531,546)	(4,560,581)	(3,649,840)
Non-current assets	504,730	909,271	722,158

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

The balances of trade accounts receivable were calculated taking into consideration the contractual terms, specific portfolio risks and negotiations in progress, including administrative and judicial collection processes, in order to recover amounts due for services rendered, including financial charges. Furthermore, taking into consideration the history of minimal losses that the Company and its subsidiaries have incurred, management does not expect losses on the realization of such receivables and believes that the recognition of amounts in addition to those recorded may occur when sufficient evidence exists to support a reasonable expectation that the corresponding amounts will be received. Trade accounts receivable at June 30, 2010 include R\$ 330,442 - US\$183,426 (December 31, 2009 - R\$ 331,242) of overdue receivables from government entities under judicial collection, where the major part has received favorable judgments, and R\$ 285,170 - US\$ 158,296 (December 31, 2009 - R\$ 212,992) of overdue receivables which the Company and its subsidiaries are attempting to collect through administrative actions with the debtors.

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5 Taxes recoverable

	June 30, 2010		December 31,2009
	US\$		R\$
Current assets			
Social contributions recoverable	759	1,368	174
Withholding IR, CSL, PIS and COFINS from invoicing and withholding IR on earnings from financing investments and invoicing	66,874	120,473	105,531
Prepaid Income Tax by overseas branches and subsidiaries	7,349	13,239	140,652
Foreign branches/ subsidiaries value added			
Construtora Norberto Odebrecht S.A. - Ecuador	876	1,579	
Construtora Norberto Odebrecht S.A. - Venezuela (*)	50,068	90,197	104,699
Construtora Norberto Odebrecht S.A. - Argentina	15,851	28,555	52,323
Construtora Norberto Odebrecht S.A. - Mexico	857	1,543	
BPC	1,725	3,107	3,500
Other taxes recoverable	10,800	19,458	2,874
	155,159	279,519	409,753
Non-current assets			
Foreign branches/subsidiaries value added tax - Venezuela (*)			100,000
IR withheld at source on dividends abroad	1,160	2,090	656
Other taxes recoverable	8,354	15,050	8,943
	9,514	17,140	109,599

(*) Refers to credits of the branch in Venezuela, for which management provided formalization of the return of the related withholding tax with the Venezuelan authorities in the amount of R\$ 28,382 - US\$ 15,755. The balance of R\$ 90,197 - US\$ 50,068 is recorded at its realizable value and additional losses are not expected. The changes in these balances between December 31, 2009 and June 30, 2010 exclusively refer to monetary devaluation occurred in Venezuela as from January 1, 2010.

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6 Inventories

	June 30, 2010		December 31, 2009
	US\$		R\$
Finished products (i)	4,461	8,037	6,385
Raw materials (i)	7,539	13,582	2,939
Materials to be used in construction works	246,841	444,684	504,637
Marketable properties	59,373	106,960	102,735
Imports and exports in progress	7,627	13,740	38,319
Inventories in transit	4,414	7,951	1,550
Advances to suppliers	8,704	15,681	144,154
	<u>338,959</u>	<u>610,635</u>	<u>800,719</u>

(i) These basically refer to the diamond inventories of the jointly controlled entities SDM and Catoca.

7 Eletrobras Credits

On October 23, 2006 according to the "Contract of Assignment of Credit Rights Subject to a Legal Action with a Judgment Made Final and Unappealable", Odebrecht Investimentos S.A. (merged into ODB) sold to the Company, the credit rights arising from the proceeding No. 2001.34.00.029764-8, which was judged in a final and unappealable decision in 2006, originally filed by OPP Química S.A. (merged into Braskem S.A) against Centrais Elétricas Brasileiras S.A. - Eletrobras ("Eletrobras"). Such assignment had the net amount of R\$ 238,234, after deducting the fees of the lawyers contracted to accompany the legal action. The Company paid the amount corresponding to such sale in cash, in the amount of R\$ 149,959, and the remaining balance in the amount of R\$ 88,275 was used by the Company to partially reduce the receivables from ODB (current name of ODBPAR Investimentos S.A.) relative to the current account agreement existing between the parties.

According to the final and unappealable decision, Eletrobras was sentenced to (i) monetarily adjust the payments made by the plaintiff from 1977 up to 1994, as Eletrobras Compulsory Loan ("ECE") determined by Law 4,156/62, using the monetary adjustment rates decided in such legal decision; (ii) pay interest at the rate of 6% per year, according to Law 5,073/66, on the difference in the monetary adjustment; and (iii) reimburse the legal costs and pay the loss of lawsuit fees.

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Further to the final and unappealable decision, the following events have occurred in respect to the legal action: (i) proposition of credit execution against Eletrobras, in the amount of R\$ 261,557; (ii) payment in court by Eletrobras, of part of the executed amount of R\$ 71,187; and (iii) filing of the opposition by Eletrobras, for the purpose of discussing the criteria for calculating the amount of the remaining balance, and offering the nominative preferred shares of a subsidiary in guarantee sufficient to cover the remaining balance.

In January 2008, the Company received a portion of the payment made in court in the amount of R\$ 59,104, and awaits the final result of the expert's report to determine the difference contested by Eletrobras.

On February 11, 2010, the Federal Court of Brasília determined the amount of the expert's fees and established a date for the expert to present his report to the court. At this time, the Company is awaiting the expert's decision.

8 Odebrecht Organization Companies

	<u>Long-term receivables</u>	<u>Long-term liabilities</u>
CBPO Malaysia SDN BHD	9,565	
Aqueduct Trading Services Co. Inc. ("Aqueduct")		69,660
ODB	1,308,011	
Odebrecht International Coporation ("ODBIC")		268,668
Others	7,599	
June 30, 2010 - R\$	<u>1,325,175</u>	<u>338,328</u>
June 30, 2010 - US\$	<u>735,595</u>	<u>187,803</u>
December 31, 2009 - R\$	<u>1,071,340</u>	<u>68,583</u>

	<u>Financial result, net</u>		
	<u>Six-month periods ended June 30,</u>		
	<u>2010</u>	<u>2009</u>	
	<u>US\$</u>	<u>R\$</u>	
Aqueduct	(4,140)	(7,459)	
ONL Investimentos B.V.			(6,732)
Others			(932)
	<u>(4,140)</u>	<u>(7,459)</u>	<u>(7,664)</u>

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The main balances with the Organization companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the Organization companies. The operations consist of lending of funds, assignments of credits and assumptions of obligations and are not subject to financial interest. The financial result is represented, mainly, by the foreign exchange variation on balances with associated companies overseas.

9 Investments

(a) Information on the investees

At June 30, 2010 and December 31, 2009, the balance of the investments in associated companies mainly relate to the indirect participation in Braskem through the investees Belgrávia and OSP (Note 1 (ii)), which is recorded using the equity method.

On December 31, 2009, the Extraordinary Stockholders' Meeting approved the subscription and payment of the capital increase of OSP by R\$ 735,901 - US\$ 408,493 with 78,512,673 preferred shares issued by Braskem held by the direct subsidiary Belgrávia at the book value of November 30, 2009.

See below the main information on and changes in investments for the periods:

(i) Main informations

	<u>OSP</u>		<u>Braskem (*)</u>
	<u>June 30, 2010</u>	<u>December 31, 2009</u>	
Number of shares hold - preferred	735,901,322	735,901,322	
Direct holding (%)	41.42	41.42	
Stockholder's equity - (In thousand of R\$)	2,208,253	1,742,266	
Stockholder's equity - (In thousand of US\$)	1,225,786	1,000,612	
	<u>June 30, 2010</u>		<u>June 30, 2009</u>
Net income (loss) for the period - (In thousand of R\$)	470,709		1,165,615
Net income (loss) for the period - (In thousand of US\$)	261,287		

(*) On November 30, 2009, the Company's investment in Braskem was transferred to OSP.

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(ii) Changes in the investments in associated companies

	<u>Six-month period ended June 30,</u>		
	<u>2010</u>		<u>2009</u>
	<u>US\$</u>		<u>R\$</u>
Braskem			
Opening balance of investment in Braskem			553,107
Equity			176,222
Gain on equity (b)			3,000
Equity evolution adjustment (a)			7,113
Others			(133)
OSP			
Opening balance of investment in OSP	400,596	721,674	
Equity evaluation adjustment (a)	(1,693)	(3,050)	
Equity in results	108,225	194,968	
Others	607	1,094	
Total associated Companies	<u>507,735</u>	<u>914,686</u>	<u>739,309</u>
Others	<u>35,405</u>	<u>63,780</u>	<u>31,851</u>
Balance at the end of the period	<u>543,140</u>	<u>978,466</u>	<u>771,160</u>

- (a) The impact of the adjustments to market value of financial instruments classified as “Available-for-sale” in Braskem, which are not realized, was directly recorded in the Company’s stockholders’ equity in the “Equity evaluation adjustment” account in an amount that is proportional to the investment in Braskem, totaling a debt of R\$ (5,066) - US\$ (2,812) (June 30, 2009 - R\$ 7,113) (Note 14 (d)), separated by exchange variation of investees abroad in the amount of R\$ 2,016 - US\$ 1,119.
- (b) In 2009, there were changes in the shareholding position of Braskem, resulting in adjustments to the equity interest held by the Company recorded as equity in earnings of subsidiaries and associates.

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(b) Other investments

Represented mainly by the investments of the indirect subsidiary BPC, headquartered in Portugal, in companies with concessions to build highways, all recorded under the cost method since interests are lower than 20% of the voting capital. The main balances are comprised as follows:

	June 30, 2010		December 31, 2009
	US\$		R\$
Aenor - Auto Estradas do Norte S.A.	19,076	34,365	39,089
Lusolisboa - Auto Estradas da Grande Lisboa S.A.	13,034	23,482	26,710
Lusoscut - Auto Estradas da Costa de Prata S.A.	6,792	12,235	13,917
Lusoscut - Auto Estradas das Beiras e Alta S.A.	14,858	26,767	30,447
Lusoscut - Auto Estradas do Grande Porto S.A.	10,773	19,408	22,076
Shopping Belas	9,092	16,379	15,831
Others	5,149	9,276	13,106
	<u>78,774</u>	<u>141,912</u>	<u>161,176</u>

10 Property and equipment

	June 30, 2010		December 31, 2009		%	
	Cost	Accumulated depreciation	Net	Annual depreciation rates		
	R\$	US\$	R\$			
Land	34,518	19,161	34,518	30,990		
Buildings and installations	169,706	(43,144)	70,254	126,562	123,246	
Machinery and equipment	1,683,844	(889,312)	441,039	794,532	979,695	10 to 20
Vehicles and ships	549,716	(351,221)	110,183	198,495	268,904	25
Furniture and fixtures	88,042	(31,849)	31,192	56,193	56,158	10
Construction in progress (*)	144,460		80,189	144,460		0 to 10
Others	256,939	(77,631)	99,532	179,308	133,247	0 to 10
	<u>2,927,225</u>	<u>(1,393,157)</u>	<u>851,550</u>	<u>1,534,068</u>	<u>1,592,240</u>	

(*) Constructions in progress mainly arise from the investments in OOGA that were transferred to the Company on May 31, 2010, as mentioned in Note 1.

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(i) Changes

	Six-month period ended June 30,		
	2010		2009
	US\$		R\$
At the beginning of the period	883,841	1,592,240	1,992,734
(+) Additions	123,757	222,949	203,989
(-) Corporate changes (*)	80,189	144,460	
(-) Disposals	(12,405)	(22,348)	(37,772)
(-) Depreciation	(126,814)	(228,455)	(293,971)
(-) Exchange variation	(97,018)	(174,778)	(96,288)
At the end of the period	<u>851,550</u>	<u>1,534,068</u>	<u>1,768,692</u>

(*) Changes in corporate structure mainly arise from the investments in OOGA that were transferred to the Company on May 31, 2010, as mentioned in Note 1.

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Debts

Financial Institution/type of loans	Currency	Annual Financial charges	December 31,	
			June 30, 2010	2009
			US\$	R\$
Perpetual Bonds (i) (a)	US\$	9.625% + EV	200,242	360,736
Banco do Brasil (i) (f)	R\$	113% to 129% CDI	131,725	237,303
Itaú-Unibanco (i) (e) (f)	US\$	Libor + 1.90% to 2.45% + EV / 7.18% to 8.75% + EV	96,412	173,687
Bradesco (i) (e)	R\$ / US\$	120.50% to 130.70% CDI / Libor + 5.10% + EV	75,195	135,464
HSBC (i) (e)	US\$	Libor + 4.50% + EV / 6.85% + EV	65,476	117,955
ABN Amro Bank	US\$	Libor + 0.275% + EV	53,116	95,688
Votorantim (i) (f)	US\$	7.50% + EV	50,385	90,769
Banesco	US\$ / VEF	7.00% to 18.50% + EV	46,683	84,100
Safra (i) (e)	R\$ / US\$	120.50% CDI / Libor + 2.15% to 3.70% + EV / 5.90% + EV	40,666	73,259
Landesbank Baden	US\$ / €	Libor + 2.025% + EV / Euribor + 2.375% + EV	29,314	52,810
BES de Investimento	€	2.50 to 3.64% + EV / Euribor + 1.25% to 2.00% + EV	19,195	34,580
Bancaribe	VEF	21.00% to 24.00% + EV	13,029	23,471
Banco Internacional de Créditos	KWA	18.00% + EV	12,941	23,313
Santander	R\$ / US\$ / €	153.00% CDI + EV / 1.91% to 2.91% + EV	4,290	7,728
BBVA Trade Finance	US\$	3.93% to 4.85% + EV	7,781	14,018
Banco Exterior	VEF	21.00% to 24.00% + EV	7,365	13,268
Banco Africano de Investimento	US\$ / KWA	7.00% to 23.50% + EV	7,240	13,042
Banco Fomento de Angola	US\$ / KWA	Libor + 1.18% + EV / 22.50% + EV	5,172	9,318
IKB Deutsche Bank	US\$	Libor + 0.95% + EV	4,551	8,199
Banco del Sur	VEF	21.00% to 24.00% + EV	3,323	10,232
Banco Nacional de Paris	US\$ / €	Libor + 0.80% + EV / 1.80% 2.34% + EV		26,497
BBVA Bancomer S.A.	US\$	Libor + 0.85% + EV		22,152
FINAME (i) (c)	R\$	TJLP + 0.86 to 4.45% / fixed interests 4.5% to 11.50%	67,347	121,325
FINEP	R\$	fixed interests 5.25%	55,604	100,171
CCB Mercado de Capitais	R\$	IPCA + 9.84%	126,531	227,946
PEC	R\$	TJLP + 5.30%	60,061	108,200
Several foreign financial institutions	US\$ / € / AED / VEF / ARS	2.34% to 24.00% + EV / Libor + 1.00 to 5.00% + EV / Eibor + 1.25% to 2.50% + EV	48,022	86,509
Several brazilian financial institutions	R\$	107% to 149% CDI	33,418	60,203
		Less: Non-current liabilities	1,265,084	2,321,492
		Current liabilities	899,125	1,676,658
			365,959	644,834

Abbreviations:

CDI - Interbank Certificate Deposit	FINAME - Financing of Machinery and Equipment
EV - Exchange variation	VEF - Venezuelan Bolivares
LIBOR - London Interbank Offered Rate	KWA - Angola Kwanza
Eibor - Emirates Interbank Offered Rate	TJLP - Long-term Interest Rate
AED - Arab Emirates Dirham	FINEP - Financing of Development and Projects
IPCA - Amplified Consumer Price Index	CCB - Bank Credit Certificate

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(i) Additional information

- (a) On September 24, 2005, OOL raised US\$ 200,000 in the European, Asian and North American international financial markets in Perpetual Bonds, with annual interest equivalent to 9.625% a year, paid quarterly. Such bonds have no maturity date but provide to the issuer a call option after 5 years from the issuance date, starting in September 2010 and subsequently, upon each payment of interest. This operation is guaranteed by the Company, and the balance with accrued interest at June 30, 2010 amounts to US\$ 200,242 - R\$ 360,736 (December 31, 2009 - R\$ 348,985).
- (b) On May 18, 2006, OOL raised with financial entities in the international market, a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 300,000 maturing in February 2010, with financial charges equivalent to LIBOR plus 1.15% p.a. If the credit line is not used, the financial charge is 0.65% p.a. payable monthly. In January 2010, this revolving credit line was renewed for another 3 years and increased to US\$ 500,000. The financial charges are equivalent to LIBOR plus 3.00% p.a. When the credit line is not being used, the charges are equivalent to 1.00% p.a. payable monthly. As of June 30, 2010 this credit line is not being used.
- (c) At June 30, 2010, the debt related to equipment, vehicles and services used in the Company's ordinary course of business, plus accrued interest, amounts to R\$ 740,755 - US\$ 411,188 (December 31, 2009 - R\$ 756,019). Most of the purchased assets are financed through BNDES credit lines (FINAME), for which the assets themselves are offered in guarantee. At June 30, 2010, these debts amount to R\$ 121,338 - US\$ 67,354 (December 31, 2009 - R\$ 163,694).
- (d) On October 18, 2007, a subsidiary company of ODB, OFL, raised US\$ 200,000 in Bonds on the international financial markets. These Bonds mature in October 2017 and have a call (repurchase) option in five years. The operation was guaranteed by the Company. On April 7, 2008, OFL increased the amount of this operation raising an additional US\$ 200,000 with the same characteristics of the existing operation.
- (e) In June 2008, the subsidiary company OOL contracted import financing (FINIMP) falling due within up to three years after the issue date. At June 30, 2010, the balance of this financing is US\$ 244,109 - R\$ 439,762 (December 31, 2009 - R\$ 427,303).
- (f) In September 2008, the subsidiary company Olex raised export credit notes falling due within up to five years after the issue date. At June 30, 2010, the balance of this financing is US\$ 215,751 - R\$ 388,676 (December 31, 2009 - R\$ 395,002).
- (g) On April 9, 2009, OFL raised US\$ 200,000 in Bonds on the international financial markets. These Bonds mature on April 9, 2014, and the operation was guaranteed by the Company.

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- (h) On October 21, 2009, OFL raised a further US\$ 500,000 in Bonds on the international financial markets. These Bonds mature on April 21, 2020 and have a repurchase option after five years. The operation was guaranteed by the Company.

(ii) Composition of the non-current debt per year of maturity

The non-current amounts are due as follows:

	June 30, 2010		December 31, 2009
	US\$		R\$
2011	171,656	309,238	496,890
2012	225,435	406,121	377,001
2013	131,674	237,211	179,481
2014	70,704	127,373	118,158
2015 and thereafter	299,656	539,830	505,128
	899,125	1,619,773	1,676,658

(iii) Restrictive clauses and guarantees

The Bond issuances mentioned above have certain restrictive clauses, which are being complied with by the Company and its subsidiaries.

Long-term financing is secured by sureties or guarantees of the Company.

12 Provision for contingencies

- (i) On June 30, 2010, the Company and its subsidiaries have provisions of R\$ 83,233 - US\$ 46,202 (December 31, 2009 - R\$ 73,437) recorded in current liabilities and R\$ 3,950 - US\$ 2,193 (December 31, 2009 - R\$ 13,911) in non-current liabilities to cover labor, tax and civil claims, which, in the opinion of management and its legal advisors have a remote chance of a favorable outcome.

In addition, the Company and its subsidiary CBPO are defending labor and tax claims of R\$ 173,556 - US\$ 96,340 (December 31, 2009 - R\$ 166,409), as well as civil claims of R\$ 308,823 - US\$ 171,425 (December 31, 2009 - R\$ 296,106), for which no provision for losses has been recorded because management and the legal advisors believe that no significant losses arising from the final decisions in these cases are probable.

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- (ii) In November 2009, the Company joined the Tax Debt Refinancing Program established by Law 11,941/09 and Provisional Measure 449/08 in order to settle its tax liabilities by means of a special installment system for the payment of its tax and social security obligations. The corresponding balance, amounting to R\$ 192,924 - US\$ 107,091, was divided into 65 monthly installments for the PAEX balance and 180 months for the other debts. At June 30, 2010, R\$ 195,418 - US\$ 108,475 (December 31, 2009 - R\$ 176,370) is recorded under non-current liabilities and the remaining R\$ 16,967 - US\$ 9,418 (December 31, 2009 - R\$ 16,554), is recorded under current liabilities.
- (iii) Since 2003, the Company's branch in Ecuador has been inspected by the Internal Revenue Service (local equivalent to the Brazilian Federal Revenue Service) relating to income tax returns filed from 1999 to 2002 and from 2004 to 2005. As a result of these inspections, the Ecuadorian tax authorities assessed this branch for additional amounts in relation to income and added value taxes, of approximately US\$ 32,035 - R\$ 57,711 and US\$ 3,797 - R\$ 6,840, respectively (not including interest, arrears fines and other potential charges). Management, considering that there are sufficient grounds for a favorable outcome, and based on the opinion of its external legal advisors, who believe that the chances of a loss are remote, did not set up a provision to cover potential losses arising from this matter.
- (iv) In 2008, CNO's branch in Venezuela was inspected by the Integrated National Customs and Tax Service (SENIAT), the body equivalent to the Brazilian Federal Revenue Service for federal taxes (IVA- Value-added Tax and ISLR - Income Tax), with respect to the income tax returns for 2006 and 2007. As a result of this inspection, the Venezuelan tax authority assessed this branch with respect to additional income tax.

The approximate amounts of the assessment for 2006 and 2007 were US\$ 35,814 - R\$ 64,519 and US\$ 28,837 - R\$ 51,950, respectively (including interest, arrears fines and other potential charges). Based on these assessments, in December 2008, the Company accepted and paid the amount of US\$ 13,900 - R\$ 25,041, including fine and interest charges of US\$ 5,600 - R\$ 10,088, for 2006 and US\$ 8,300 - R\$ 14,952, for 2007. Management, considering that there are sufficient grounds for a favorable outcome, and based on the opinion of its external legal advisors, recognized a provision in the amount of US\$ 1,931 - R\$ 3,478 to cover potential losses arising from this matter.

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13 Income tax and social contribution

(a) Composition of the effects on results – reversal (expense)

	Six-month period ended June 30,		
	2010	2009	
	US\$	R\$	
Deferred social contribution	(2,650)	(4,774)	(30,343)
Current social contribution	(1,063)	(1,915)	(160)
Total - social contribution	<u>(3,713)</u>	<u>(6,689)</u>	<u>(30,503)</u>
Deferred income tax	(4,560)	(8,214)	(84,385)
Current income tax	(5,925)	(10,674)	(554)
Foreign income tax (branches and subsidiaries)	(40,110)	(72,258)	(204,301)
Total - income tax	<u>(50,595)</u>	<u>(91,146)</u>	<u>(289,240)</u>

(b) Balances of deferred income tax and social contribution

The asset balances relate to income tax and social contribution on the tax losses and social contribution tax loss carryforward, respectively, and on the temporary differences arising mainly from the Company and its indirect subsidiary CBPO. The liability balances relate to income tax and social contribution on unrealized profits on sales to government entities and the effects of exchange variations, mainly in the Company and its indirect subsidiary CBPO.

The composition of the deferred income tax and social contribution accounts on June 30, 2010 and December 31, 2009 is as follows:

(i) Income tax

	June 30, 2010				December 31, 2009	
	On other temporary differences	Deferred income and exchange variation	Accumulated tax losses	Compensations	Total	Total
In R\$						
Current assets	24,804		39,817	(17,076)	47,545	48,391
Non-current assets	28,193		4,816		33,009	72,629
Non-current liabilities		(323,501)	20,984	17,076	(285,441)	(318,319)
In US\$						
Current assets	13,769		22,102	(9,479)	26,392	
Non-current assets	15,650		2,673		18,323	
Non-current liabilities		(179,573)	11,648	9,479	(158,446)	

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(ii) Social contribution

	June 30, 2010			December 31, 2009	
	On other temporary differences	Deferred income and exchange variation	Compensations	Total	Total
In R\$					
Current assets	5,095		(1,414)	3,681	3,431
Non-current assets	11,589			11,589	26,677
Non-current liabilities		(112,315)	25,682	(86,633)	(94,994)
In US\$					
Current assets	2,828		(785)	2,043	
Non-current assets	6,433			6,433	
Non-current liabilities		(62,346)	14,256	(48,090)	

(c) **Recoverability of recorded deferred assets**

At June 30, 2010 and December 31, 2009, the Company and its subsidiaries have deferred income tax and social contribution liabilities recognized mainly on deferred income and foreign exchange variation in Brazil.

The asset balances mainly relate to temporary differences based on the realization of such differences supported by forecasts of future results.

This forecasts include, as basic assumptions, the continuing increase in the order backlog (portfolio of revenues already contracted by the Company and its subsidiaries) in recent years; the gains to be earned from the disposal of assets not pertaining to the engineering and construction activity; the increased investment in Brazil's power and infrastructure sectors; as well as the recognition, for tax purposes, of the operating results of foreign subsidiaries on the applicable balance sheet date. Additionally, the Company, together with its main subsidiary, CBPO, have realized and cumulatively reduced their net balance of deferred income tax and social contribution assets in the past three years.

(d) **Foreign income tax**

In the six-month period ended June 30, 2010, the income tax expense incurred overseas is represented primarily by the taxes generated by operations in Angola - R\$ 24,630 - US\$ 13,672, Argentina - R\$ 35,602 - US\$ 19,762 and Venezuela - R\$ 3,780 - US\$ 2,098) (six month period ended June 2009 - Angola - R\$ 27,900, Argentina - R\$ 39,465 and Venezuela - R\$ 15,238).

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(e) Tax incentive – corporate income tax

The Company, by means of the Constitutive Report No. 0219/2006, of October 9, 2006, issued by the Agência de Desenvolvimento do Nordeste - ADENE of the Ministry of National Integration acquired the right to a 75% reduction benefit, until the base year 2016 (calendar year 2015), on the income tax payable on the profits arising from the manufacture and assembly of the pumping modules of sea platforms for oil exploration contracted by Petróleo Brasileiro S.A. – Petrobras and PNBV. The manufacture and assembly plant is installed at Vila de São Roque de Paraguaçu, in the city of Maragogipe, State of Bahia.

(f) Transitory Tax System

The Transitory Tax System will be effective until such a time as a law that regulates the tax effects of the new accounting methods is enacted, and seeks tax neutrality.

The system is optional for calendar years 2008 and 2009, provided that: (i) it applies to both 2008 and 2009 and not only to one calendar year; and (ii) the option is declared in the Corporate Income Tax return (DIPJ).

The Company and its subsidiaries opted for the adoption of the system in 2008 and 2009. Consequently, for determining income tax and social contribution on net income for the years ended December 31, 2009 and 2008, the Company and its subsidiaries used the prerogatives defined in the Transitory Tax System.

Taking into consideration the fact that new legislation that governs the tax effects in the context of the new accounting methods has not yet been enacted, the Company and its subsidiaries continued to use the prerogatives of the Transitory Tax System in the six-month period ended June 30, 2010.

According to Law 11,941/09, article 15, item IV, § 3, subject to the deadline established in § 1 of this article, the Transitory Tax System will be required as from calendar year 2010, including for the calculation of income tax based on presumed profit or arbitrated, for the Social Contribution on Net Income - CSLL ("CSLL"), Contribution to Social Integration Program - PIS ("PIS") and Contribution to Social Security Financing - COFINS ("COFINS").

14 Stockholders' equity

(a) Capital

At June 30, 2010, the Company's capital of R\$ 1,113,126 - US\$ 617,888 (December 31, 2009 - R\$ 1,378,375), which is subscribed and paid-up entirely by Brazilian individuals and corporations, comprised 163,298,207 (December 31, 2009 - 163,298,207) common shares and 118,800,974 (December 31, 2009 - 118,800,974) preferred shares with no par value.

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On March 31, 2010, the Extraordinary Stockholders' Meeting approved the reduction of the Company's capital by R\$ 204,257 - US\$ 113,382, without the cancellation of shares. As a result of this reduction, the investment held by the Company in ETHINV was transferred to ODB (Note 1 (ii)).

On June 22, 2010, the Company's capital was reduced by R\$ 60,992 - US\$ 33,856, without the cancellation of shares, by transferring the investment received from Belgrávia in Rota das Bandeiras to ODB (Note 1 (ii)).

(b) Share rights

Preferred shares, which are non-voting, have priority in the event of capital reimbursement upon liquidation and, based on Law No. 10,303/01, the preferred and common shares have the same right with regards to the receipt of dividends. All stockholders are assured an annual dividend of at least 25% of the adjusted net income for the year, calculated in accordance with Brazilian corporate legislation.

At December 31, 2009, interest on capital in the amount of R\$ 58,250 - US\$ 32,334, was paid to stockholders, and the amount net of withholding income tax was imputed to the minimum compulsory dividend for 2009, pursuant to the legal provision in paragraph 7 of Article 9 of Law No. 9,249/95.

For disclosure purposes, the interest on own capital expense was reversed in the Statement of Income itself under "Financial result, net", and presented in the statement of changes in stockholders' equity in accordance with the accounting practices adopted in Brazil.

The Company's management proposed dividends for the year ended December 31, 2009 in the amount of R\$ 110,000 - US\$ 61,060, which will be paid through the current account between the companies, pursuant to a formal approval of stockholders. This distribution was approved at the Ordinary General Meeting held on April 29, 2010.

The Company's management resolved to distribute dividends and interest on capital at an amount lower than the minimum compulsory dividend for the year ended December 31, 2009, in accordance with the approval of all stockholders in a formal letter forwarded to management, which was ratified at the Ordinary General Meeting held on April 29, 2010.

The undistributed balance of the minimum compulsory dividend, as well as the remaining portion of retained earnings, was appropriated to reserves for investments and future capital increase.

(c) Appropriation of net income

According to the Company's by-laws, appropriations are made to revenue reserves as described below. The utilization of the remaining balance after these appropriations and distribution of dividends will be decided at the Annual Stockholders' Meeting.

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(i) Legal reserve

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

(ii) Reserve for investments (statutory)

This is established through the appropriation of up to 70% of net income for the year, after transfer to the legal reserve, until, together with the legal reserve, it reaches 100% of total capital.

(iii) Revenue reserve - tax incentives

In compliance with Law 11,638/07 and CPC 07 – Government assistance, the amounts related to the tax incentive determined pursuant to Note 13 (e) were accounted for in the Statement of Income and subsequently allocated to the Revenue reserve - tax incentives. This reserve may only be used for capital increase or possible absorption of losses, as provided for in Article 545 of the Income Tax Regulation. As a result of the changes introduced by Laws No. 11,638/07 and No. 11,941/09 and Provisional Measure No. 449/08, the balance of the tax incentives reserve was reclassified from the capital reserve to revenue reserve.

(iv) Reserve for future capital increase

After the distribution of profits and transfers to the legal and investments (statutory) reserves, management appropriated the balance of net income for the year, of R\$ 275,000 - US\$ 152,651, to a reserve for future capital increase, in compliance with Article 199 of Law No. 11,638/07 which determines that the total of revenue reserves cannot exceed the amount of capital. It is proposed that the reserve can be used to increase capital in order to meet the needs of the expected volume of business and investments in the coming years.

(d) Equity evaluation adjustment account

This account was established by Law No. 11,638/07 for the purposes of recording in stockholders' equity amounts that have not yet been recorded in net income or loss for the year. The effects of these amounts on net income or loss for the year will be recognized upon their effective realization.

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The changes in this account in the six-month periods ended June 30, 2010 and 2009 were as follows:

	Six-month period ended June 30,		
	2010		2009
	US\$	R\$	
At the beginning of the period	(49,844)	(89,794)	281,602
Exchange variation of investments abroad (Note 2.2 (h))	(25,277)	(45,537)	(230,586)
Fair value variation on financial instruments of investees (Note 9 (a) (ii))	(2,812)	(5,066)	7,113
Others investees adjustments	607	1,094	
At the end of the period	<u>(77,326)</u>	<u>(139,303)</u>	<u>58,129</u>

15 Financial Results, Net

	Six-month period ended June 30,		
	2010		2009
	US\$	R\$	
Income from financial investments	57,828	104,178	228,286
Exchange variation expense	(325,683)	(586,718)	(246,229)
Exchange variation income	202,001	363,905	515,789
Financial charges on debts	(94,284)	(169,853)	(86,548)
Bank commissions	(34,999)	(63,051)	(44,974)
Others, net	13,794	24,846	68,620
	<u>(181,343)</u>	<u>(326,693)</u>	<u>434,944</u>

16 Insurance Coverage

The uniformity in the treatment of risks at the Odebrecht Organization is ensured by its Insurance and Guarantees Policy ("Policy"), which establishes the basic concepts, general guidelines and authority for contracting and administering insurance and guarantees, and for the relationship with the insurance market.

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

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

In the six-month period ended June 30, 2010 and in the year ended December 31, 2009, the Policy was fully complied with. We are not aware of any risk covered by the Policy that has not been duly analyzed and mitigated, or of any loss event that was not properly covered (unaudited).

At June 30, 2010, the insurance coverage of the Company and its subsidiaries amounts to US\$ 34,806,825 - R\$ 62,704,495 (December 31, 2009 - US\$ 35,172,526). The Company and its subsidiaries have Surety Bond operations, which, on June 30, 2010, amounted to US\$ 6,016,196 - R\$ 10,838,177 (December 31, 2009 - US\$ 7,422,898).

17 Private pension plan

The Company and its subsidiaries have entered into an agreement with ODEPREV - Odebrecht Previdência ("ODEPREV"), a private pension fund established by the parent company ODB, as sponsoring companies. ODEPREV offers its participants a defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts.

In relation to the benefit payments due under the plan, the ODEPREV obligations are limited to the total value of the participants' quotas and, in conformity with the rules of the defined contribution plan, no obligations or responsibilities can be required from the sponsoring companies to guarantee minimum levels of benefits to the retired participants. The contributions of the Company and its subsidiaries for the six-month period ended June 30, 2010 were R\$ 7,250 - US\$ 4,024 (six-month period ended June 30, 2009 - R\$ 7,804).

As the ODEPREV plan is a defined contribution plan, under which the risk of receiving benefits is the full responsibility of the participants, the Company's management has determined that the provisions of Accounting Standard NPC 26 of the Institute of Independent Auditors of Brazil (IBRACON), "Accounting for Benefits to Employees" are not applicable to such plan.

18 Long-term Incentives

Through the benefit plan called "Long-term incentives" employees designated annually by management may acquire securities issued by the Company that are called "Investment unit" ("I.U.") in order to strengthen the convergence of interests in the creation of long-term value between the Company's employees and stockholders, promote the sense of ownership and motivate the vision and commitment of employees with long-term results.

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The I.U. does not make its holder a stockholder of the Company nor does it provide any right or privilege that is inherent to stockholders, particularly voting and other political rights.

The I.U. is issued annually and its value is restated annually in accordance with the economic value of the Company's shares.

There are three types of I.U.:

- acquired by the participant, called "Alfa";
- received by the participant as a consideration of the Company, called "Beta"; and
- received by the participant as dividends, called "Gama".

The I.U. is issued on a personal basis and may only be sold back to the Company by means of redemption in accordance with the following conditions:

- as from August 30, 2011 the buyer may redeem up to 20% of its accumulated balance of investment units; and
- as from the initial redemption, redemption is limited to 10% of the accumulated balance.

At June 30, 2010, the number of I.U.'s is 2,957,660 with a liability balance corresponding to R\$ 78,378 - US\$ 43,507 on that date.

19 Financial instruments

(a) General considerations

The Company and its subsidiaries participate in transactions involving financial instruments, including financial investments, accounts payable to suppliers and financing.

The purpose of these transactions carried out by the Company and its subsidiaries is the management of the cash resources of their operations and the hedge against the effects of foreign exchange fluctuations on the exposure in foreign currencies and interest rate fluctuations. These risks are managed through financial market mechanisms that minimize the exposure of the companies' assets and liabilities, protecting the profitability of contracts and the stockholders' equity of the Company and its subsidiaries.

The amounts recorded in current assets and liabilities are highly liquid and most of them mature within three months. Taking into consideration the term and the characteristics of these instruments, that are systematically renegotiated, their book values approximate their fair values.

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**Notes to the Consolidated Financial Statements
at June 30, 2010 and 2009 (unaudited) and at December 31, 2009**
In thousands of reais and U.S. dollars, unless otherwise indicated

(b) Credit risk

The sales policy of the Company and its subsidiaries takes into consideration the credit risk level to which the Company is willing to accept in the course of its business. The diversification of its receivables, the selectivity of its customers, as well as the monitoring of the financing terms for sales per business segment and individual position limits are procedures adopted in order to minimize possible default problems in accounts receivable.

At June 30, 2010, the Company and its subsidiaries had overdue accounts receivable amounting to R\$ 615,612 - US\$ 341,722 (December 31, 2009 - R\$ 544,234) for services rendered to government entities. Historically, the Company and its subsidiaries have collected the amounts owed by these entities, including those overdue for one year or more.

The collection of these overdue amounts from government entities occurs through payment or the receipt of government bonds or other government assets. As a way of mitigating the credit risks, the Company and its subsidiaries have applied a greater degree of selectivity when accepting customers, and have increased the sales revenues from private customers or public sector customers which the Company and its subsidiaries consider having the capacity to generate revenues independently and which do not rely on government budgets to pay their liabilities (mainly companies with both government and private stockholders), as well as those with contracts in which payments are financed by export agencies, multilateral agencies, commercial banks, private pension funds and private investors.

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

(c) Price risk

A significant number of the contracts in which the Company and its subsidiaries are engaged are fixed-price contracts. The actual profit margins on these contracts may differ from the margins estimated at the time the costs were budgeted and the contract price was proposed because of: significant unexpected increases in the costs of equipment, materials or labor, related to inflationary effects or other unexpected events; problems encountered by the customer to obtain the necessary financing of the contract or to obtain Government authorizations or approvals; project changes resulting in unexpected costs; and delays caused by bad weather or the non-performance of subcontractors and/or contracted suppliers.

To minimize the price risk, the budgets of the fixed-price contracts performed by the Company and its subsidiaries are periodically revised to reflect, if necessary, inconsistencies noted between actual and budgeted costs.

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The Company and its subsidiaries follow a policy of negotiating claims to increase contract prices through contract amendments to recover variations from the contracted price, recorded in the books when the contract amendment is signed.

(d) Market risk

Interest rate risk

The associated risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in interest rates that would increase financial expenses related to financing raised in the market.

Foreign exchange rate risk

The associated risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase the amounts of funds raised in the market.

The Company, through its branches, subsidiaries and associated companies, has a significant volume of operations abroad, as described in Note 1, of which part is denominated in U.S. dollars, with little exposure to local currencies, restricted to certain specific countries. In addition, certain loans of the Company and its subsidiaries obtained overseas are denominated in foreign currencies, as mentioned in Note 11, as well as liabilities to suppliers and other balances with related parties, as mentioned in Note 8.

(e) Derivatives

The purpose of the derivative instruments contracted by the Company and its subsidiaries is to hedge their operations against risks of foreign exchange and interest rate fluctuations. They are not used for speculative purposes.

The Company carries out operations involving derivative instruments for the purposes of matching in the same currency the uses and sources of funds of its operations. The currency derivative instruments mature within twelve months and the average maturity terms is six months and are only contracted with first-class financial institutions in Brazil and abroad.

The derivative instruments used by the Company and its subsidiaries, in accordance with the terms of the financial policy, are of high liquidity (Plain vanilla), such as NDF - Non Deliverable Forward ("NDF"), options and swaps. The Company and its subsidiaries do not operate with derivative instruments involving unusual risks.

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As of June 30, 2010, the derivatives portfolio, which mainly includes hedge transactions against foreign exchange variations and debt swaps, may be summarized as follows:

	R\$		
Operation	Fair value of outstanding operations (*)	Effect in the result (**)	Settle value of transactions (***)
NDF - Non-Deliverable Forward	(28,199)	(29,969)	(1,821)
Options (collar)	24,323	21,443	(2,876)
Swap	(9,491)	(7,492)	(1,944)
	US\$		
Operation	Fair value of outstanding operations (*)	Effect in the result (**)	Settle value of transactions (***)
NDF - Non-Deliverable Forward	(15,653)	(16,636)	(1,011)
Options (collar)	13,502	11,903	(1,596)
Swap	(5,268)	(4,159)	(1,079)

(*) Corresponds to the effect in the income statement of the fair value measurement of outstanding operations with derivatives on June 30, 2010.

(**) Corresponds to the effect of the realization of the mark-to-market balance (non cash) in the year ended June 30, 2010.

(***) Corresponds to the effect recognized in the income statement of operations with derivative instruments already settled in the six-month period ended June 30, 2010.

Due to the rigorous criteria of diversification and allocation of the Company and its subsidiaries portfolio, the counterparties of the operations with derivative instruments have not required any value in cash, letter of credit, financial applications or any type of margin deposit, to guarantee the unrealized fair value of outstanding operations.

For the six-month period ended June 30, 2010, the Company prepared a sensitivity analysis of the operations with derivatives, taking into consideration: (i) probable scenario of realization of the instruments at the balance sheet date; (ii) scenario with the deterioration of 25% of the hedge variable considered; and (iii) scenario with deterioration of 50% of the hedge variable considered.

In the probable scenario, there is no variation, as the fair values of the operations outstanding at June 30, 2010 were considered. Thus, in the sensitivity analysis shown below, the amounts added to the fair values of the derivative financial instruments are:

**Construtora Norberto Odebrecht S.A.
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**Notes to the Consolidated Financial Statements
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						R\$
Operation	Hedge Variable	Unrealized fair value	Scenario (i)	Scenario (ii)	Scenario (iii)	
NDF - Non-Deliverable Forwards	US\$	(28,199)		40,304	68,091	
Options (collar)	US\$	24,323		(47,850)	(96,624)	
Swaps	US\$	(9,491)		(3,451)	(11,121)	
						US\$
Operation	Hedge Variable	Unrealized fair value	Scenario (i)	Scenario (ii)	Scenario (iii)	
NDF - Non-Deliverable Forwards	US\$	(15,653)		22,372	37,797	
Options (collar)	US\$	13,502		(26,561)	(53,635)	
Swaps	US\$	(5,268)		(1,916)	(6,173)	

20 Other Expenses, Net

				Six-month period ended June 30,		
				2010	2009	
				US\$		R\$
Equity interest on investees (Note 9 (a) (i))						3,000
Net result of property and equipment disposals		(4,730)		(8,521)		(24,111)
Others		(6,961)		(12,539)		(28,909)
		<u>(11,691)</u>		<u>(21,060)</u>		<u>(50,020)</u>

21 Operating Leases

The future minimum payments of non-cancelable operating leases are as follows:

		June 30, 2010	December 31, 2009
		US\$	R\$
Up to one year	2,833	5,104	7,062
Between one and five years	2,245	4,044	4,931
Over five years	1,686	3,038	2,744
	<u>6,764</u>	<u>12,186</u>	<u>14,737</u>

* * *

Report of Independent Auditors

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

- 1 We have audited the accompanying consolidated balance sheets of Construtora Norberto Odebrecht S.A. and its subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income and of cash flows and the statements of changes in stockholders' equity of Construtora Norberto Odebrecht S.A. (Parent Company) for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management of the companies, as well as the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Construtora Norberto Odebrecht S.A. and its subsidiaries at December 31, 2009 and 2008 and the consolidated results of operations and cash flows, as well as the changes in stockholders' equity of Construtora Norberto Odebrecht S.A., for the years then ended, in accordance with accounting practices adopted in Brazil.
- 4 The Company and its subsidiaries are an integral part of the group of companies that comprises the Odebrecht Organization and carry out material financial and commercial transactions with their parent company and other companies of the Odebrecht Organization, under the conditions described in Note 8 to the financial statements. In addition, the Company and certain subsidiaries continue to be involved in the optimization of their corporate structure, as described in Notes 1 (ii) and 14 to the financial statements.

Construtora Norberto Odebrecht S.A.

- 5 The amounts expressed in U.S. dollars, included in the financial statements at December 31, 2009, are presented solely for the convenience of the reader, and were translated at the exchange rate effective as of December 31, 2009, on the basis described in Note 2.2 (q). This translation should not be construed as representing that the amounts in reais actually represent or have been, or could be, converted into U.S. dollars or any other currency.

Salvador, March 19, 2010

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

Felipe Edmond Ayoub
Contador CRC 1SP187402/O-4 "S" RJ

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Consolidated Balance Sheets at December 31 In thousands of reais and U.S. dollars

	2009		2008	
	US\$	R\$	US\$	R\$
Assets				
Current assets				
Cash and cash equivalents (Note 2.2 (a))	1,720,760	2,270,365		
Financial investments (Note 3)	77,401	172,054		
Trade accounts receivable (Note 4)	2,096,164	2,857,778		
Advances to suppliers, subcontractors and others	242,910	708,169		
Deferred income tax and social contribution (Note 13 (b))	29,762	51,822		
Taxes recoverable (Note 5)	235,328	409,753		
Inventories (Note 6)	459,866	800,719		
Current accounts with consortium members	66,141	115,165		
Prepaid expenses	116,478	202,811		
Other accounts receivable	316,815	551,639		
	<u>5,361,625</u>	<u>9,335,662</u>		<u>8,699,137</u>
Non-current assets				
Long-term receivables				
Financial investments (Note 3)	2,299	4,003		
Odebrecht Organization companies (Note 8)	615,298	1,071,340		
Trade accounts receivable (Note 4)	414,747	722,158		
Investments and properties for sale	6,424	11,185		
Deferred income tax and social contribution (Note 13 (b))	57,033	99,306		
Taxes recoverable (Note 5)	62,945	109,599		
Electrobras credits (Note 7)	127,103	221,312		
Other accounts receivable	58,253	101,430		
	<u>1,344,092</u>	<u>2,340,333</u>		<u>2,732,169</u>
Investments				
Associated companies (Note 9 (a))	463,249	806,610		
Other investments (Note 9 (c))	92,566	161,176		
Property and equipment (Note 10)	914,450	1,992,734		
Intangibles (Note 2.2 (j))	31,322	54,537		
Deferred charges (Note 2.2 (k))	28,828	50,195		
	<u>2,874,507</u>	<u>5,005,091</u>		<u>5,653,546</u>
Total assets	<u>8,236,132</u>	<u>14,340,753</u>		<u>14,352,683</u>
Liabilities and stockholders' equity				
Current liabilities				
Debits (Note 11)	370,339	644,834		
Suppliers and subcontractors	1,019,807	1,775,688		
Taxes, rates, salaries and payroll charges	692,280	1,205,398		
Management profit sharing	7,179	12,500		
Provisions for contingencies (Note 12 (i))	42,176	73,437		
Advances from customers	1,107,371	1,928,154		
Current accounts with consortium members	67,399	117,356		
Other accounts payable	238,361	415,035		
	<u>3,544,912</u>	<u>6,172,402</u>		<u>6,669,885</u>
Non-current liabilities				
Odebrecht Organization companies (Note 8)	39,388	68,583		
Debits (Note 11)	962,932	1,676,658		
Advances from customers	1,488,175	2,591,211		
Deferred income tax and social contribution (Note 13 (b))	237,373	413,313		
Suppliers and subcontractors	66,736	116,200		
Provisions for contingencies (Note 12 (i))	7,989	13,911		
Taxes payable in installments (Note 12 (ii))	101,292	176,370		
Provision for losses on investments (Note 9 (b))	5,845	10,177		
Long-term incentives (Note 18)	45,014	78,378		
Other accounts payable	20,338	35,411		
	<u>2,975,082</u>	<u>5,180,212</u>		<u>5,122,588</u>
Minority interest	19,284	33,577		
Stockholders' equity				
Capital (Note 14 (a))	791,624	1,378,375		
Revenue reserves (Note 14 (c))	956,800	1,665,981		
Equity evaluation adjustment (Note 14 (d))	(51,570)	(89,794)		
	<u>1,696,854</u>	<u>2,954,562</u>		<u>2,510,191</u>
Total liabilities and stockholders' equity	<u>8,236,132</u>	<u>14,340,753</u>		<u>14,352,683</u>

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

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

		2009	2008
	US\$		R\$
Gross service revenues			
Domestic market	3,264,500	5,684,148	4,007,642
Foreign market	7,487,027	13,036,412	12,917,742
	10,751,527	18,720,560	16,925,384
Taxes and contributions on services	(238,340)	(414,998)	(350,804)
Net service revenues	10,513,187	18,305,562	16,574,580
Cost of services rendered	(9,215,874)	(16,046,679)	(13,862,174)
Gross profit	1,297,313	2,258,883	2,712,406
Operating expenses			
General and administrative expenses	(633,372)	(1,102,828)	(849,927)
Directors' remuneration	(7,076)	(12,320)	(13,426)
Operating profit before the results of equity interests and financial results	656,865	1,143,735	1,849,053
Results from investments in associated companies			
Equity in the results (Note 9 (a) (ii))	85,556	148,970	(295,426)
Amortization of goodwill			(2,533)
Dividends received and others	14,295	24,891	47,828
Gain (loss) on percentage of participation in investee (Note 9 (a) (ii))	1,723	3,000	(63,107)
Financial result, net			
Financial result (Note 15)	240,442	418,657	(663,426)
Operating profit before other income (expenses), net	998,881	1,739,253	872,389
Other income (expenses), net (Note 20)	(71,937)	(125,258)	(171,727)
Income before social contribution, income tax, and minority interest	926,944	1,613,995	700,662
Social contribution (Note 13 (a))	(31,239)	(54,393)	39,818
Income tax (Note 13 (a))	(322,329)	(561,239)	(148,680)
Income before management profit sharing and minority interest	573,376	998,363	591,800
Management profit sharing	(7,179)	(12,500)	(12,500)
Minority interest	(1,060)	(1,846)	9,715
Net income for the year	565,137	984,017	589,015

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

Construtora Norberto Odebrecht S.A.

Statements of Changes in Stockholders' Equity In thousands of reais, unless otherwise indicated

	Capital reserves		Revenue reserves				Retained earnings (accumulated losses)	Total
	Capital	Tax incentives	Legal	Tax incentives	Investments (statutory)	Future capital increase		
At December, 2007	1,165,572	15,406	107,646		412,328			1,700,952
Initial adjustments of Law 11,638/07 and MP 449/08 (Note 14 (c) (iii))	(15,406)			15,406			(19,581)	(19,581)
Adjusted balances at December 31, 2007 (Restate d)	1,165,572		107,646	15,406	412,328		(19,581)	1,681,371
Partial spin-off (Note 14 (a))	(3,583)							(3,583)
Merger of Odebrecht Participações (Note 14 (a))	64,861							64,861
Capital increase (Note 14 (a))	151,525							151,525
Equity evaluation adjustment (Note 14 (d))					281,602			281,602
Net income for the year - R\$ 2.088 per share							589,015	589,015
Appropriation of net income:								
Interest on own capital - R\$ 0.903 per share (Note 14 (b))			29,451		285,383		(254,600)	(254,600)
Transfer to reserves							(314,834)	(314,834)
At December 31, 2008	1,378,375		137,097	15,406	697,711		281,602	2,510,191
Equity evaluation adjustment (Note 14 (d))							(371,396)	(371,396)
Net income for the year - R\$ 3.488 per share							984,017	984,017
Appropriation of net income:								
Interest on own capital - R\$ 0.206 per share (Note 14 (b))							(58,250)	(58,250)
Anticipated dividends - R\$ 0.390 per share (Note 14 (b))							(110,000)	(110,000)
Transfer to reserves			49,201		491,566	275,000	(815,767)	(815,767)
At December 31, 2009	1,378,375		186,298	15,406	1,189,277	275,000	(89,794)	2,954,562

Construtora Norberto Odebrecht S.A.

Statements of Changes in Stockholders' Equity In thousands of U.S. dollars, unless otherwise indicated

(continued)

	Capital reserves			Revenue reserves			Retained earnings (accumulated losses)	Total
	Capital	Tax incentives	Legal	Tax incentives	Investments (statutory)	Future capital increase		
At December 31, 2008	791,624		78,737	8,848	400,707		161,729	1,441,645
Equity evaluation adjustment (Note 14 (d))							(213,299)	(213,299)
Net income for the year - R\$ 3.488 per share							565,137	565,137
Appropriation of net income							(33,454)	(33,454)
Interest on own capital - R\$ 0.206 per share (Note 14 (b))							(63,175)	(63,175)
Anticipated dividends - R\$ 0.390 per share (Note 14 (b))			28,256		282,315	157,937	(468,508)	
Transfer to reserves								
At December 31, 2009	791,624		106,993	8,848	683,022	157,937	(51,570)	1,696,854

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

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

	2009		2008	
	US\$		R\$	
Cash flows from operating activities				
Net income before income tax and social contribution	918,705	1,599,649		697,877
Adjustments:				
Investments in associated companies:				
Equity in the results of associated companies and others	(99,851)	(173,861)		247,598
Amortization of goodwill				2,533
Decrease of construction contracts revenue	163,258	284,265		105,062
Depreciation and amortization	360,710	628,068		464,451
Gain (loss) on interest in investment	(1,723)	(3,000)		63,107
Residual value of property and equipment and project costs disposals	73,677	128,286		160,680
Interest and monetary and exchange variation, net	(548,125)	(954,395)		1,128,310
Minority interest	1,060	1,846		(9,715)
Net cash obtained from operating activities before changes in operating assets and liabilities	867,711	1,510,858		2,859,903
Changes in assets and liabilities:				
Financial investments	(94)	(163)		93,674
Accounts receivable	(535,747)	(932,843)		(1,224,853)
Inventories	42,775	74,480		(1,018,722)
Taxes recoverable	73,738	128,392		(183,239)
Prepaid expenses	111,727	194,539		(120,153)
Other assets	(94,264)	(164,132)		(54,525)
Suppliers and subcontractors	231,184	402,538		866,099
Advances from customers	244,562	425,831		370,939
Income tax and social contribution	(75,640)	(131,704)		(98,974)
Taxes, rates, salaries and payroll charges	215,591	375,387		267,852
Other liabilities	(87,928)	(153,100)		501,134
Net cash obtained from operating activities	993,615	1,730,083		2,259,135
Cash flow from investing activities				
Additions to investments	(5,093)	(8,868)		(153,924)
Additions to property and equipment and intangible	(361,264)	(629,033)		(1,053,699)
Additions to deferred charges				(79,920)
Marketable securities and investments and properties for sale				(6,482)
Net cash used in investing activities	(366,357)	(637,901)		(1,294,025)
Cash flow from financing activities				
Related parties				
Repayment	(2,285,994)	(3,980,373)		(1,395,369)
Funds obtained	2,250,449	3,918,482		533,383
Short-term and long-term debt, net				
Funds obtained	1,224,236	2,131,639		2,255,289
Repayment - principal	(1,187,081)	(2,066,945)		(1,587,405)
Repayment - interest	(90,031)	(156,762)		(137,256)
Net cash used in financing activities	(88,421)	(153,959)		(331,358)
Effect of exchange rate changes on cash and cash equivalents	(212,421)	(369,867)		519,639
Cash and cash equivalents from companies acquired between parties under common control (Note 1. (ii))	90,436	157,466		6
Net increase in cash and cash equivalents	416,852	725,822		1,153,397
Cash and cash equivalents at the beginning of the year	1,303,908	2,270,365		1,116,968
Cash and cash equivalents at the end of the year	1,720,760	2,996,187		2,270,365

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

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2009 and 2008

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

1 Operations

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

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

In the heavy civil construction segment, the Company and its main indirect subsidiary company in Brazil, CBPO Engenharia Ltda. ("CBPO"), develop construction projects involving highways, railways, hydroelectric, thermoelectric and nuclear plants, port installations, dams, and other industrial and infrastructure projects.

The main projects currently in progress in Brazil are: Santo Antônio hydroelectric plant in the State of Rondônia, Transnordestina railway in the states of Piauí/Pernambuco, D. Pedro I highway in the State of São Paulo, Petrobras' PTA Project in the State of Pernambuco, Repar refinery in the State of Paraná, Submarine Project in the State of Rio de Janeiro, and Petrobras' P59 and P60 Platforms, and several contracts to render services in oil platforms and petrochemical plants. Overseas, the Company has projects in 13 countries and the main ones are located in Venezuela (Maracaibo Plain Socialist Agrarian Project, El Dilúvio Irrigation, bridge over the Orinoco River, lines 3 and 5 of the Caracas subway, Guarenas Guatire subway, lines 1 and 2 of Los Teques subway, and Tocoma hydroelectric plant), in the United States of America (Orange Line subway in Miami), in Colombia (Ruta Del Sol Road), in Argentina (expansion of a pipeline and Paraná de las Palmas Water Treatment Plant), in Peru (Chaglia hydroelectric plant and electric train), in Libya (Tripoli airport and ring road), in Angola (highway works, sanitation projects, urbanization, and several infrastructure projects), in the Dominican Republic (Coral road, Palomino hydroelectric plant, and Samana sanitation project), in Panama (water collection system and water treatment plant), and in Mozambique (infrastructure work for the Moatize Mine of Vale).

In the process of obtaining and performing contracts in Brazil and overseas, the Company and its subsidiaries use surety bonds obtained with the support of OCS - Odebrecht Administradora e Corretora de Seguros Ltda. ("OCS"), which is part of the Odebrecht Organization, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market (Note 16).

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2009 and 2008

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

(i) Participation in the diamond sector

Through its subsidiaries, the Company also conducts mineral prospecting and exploration. Its wholly-owned indirect subsidiary Odebrecht Mining Services, Inc. ("OMSI") holds 16.4% in Sociedade Mineira de Catoca, Limitada ("Catoca"), which conducts prospecting, recognition, exploration, treatment and sale of diamonds and other minerals in the Catoca Project in the Luanda Sul Province of Angola, having a concession from the Angolan Government to exploit diamonds mined from the kimberlite area, and also holds 50% of Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L. ("SDM"), which conducts prospecting, exploration and sale activities of diamonds extracted in a concession area granted by the Angolan Government in the Hydrographic Basin of the Cuango River (Angola). Currently, Catoca is investing in two new concession areas, Luemba and Lapi.

SDM, together with its controlling company, OMSI, maintains a contract for the concession of exploration of diamonds to be extracted from "kimberlitos" in the Muanga region. Considering the investments in that concession and the probabilities of the project, based on a technical report issued by experts, the Company's management recorded in 2008 a provision for impairment loss related to the costs recorded, in proportion of its interest in the investments (Note 20). Additionally, SDM has a concession for diamond mining in the Luzamba region, and this exploration was terminated at December 31, 2009, as the economically viable diamond reserves had been depleted. The Company's management has been analyzing new concessions, as well as other projects for diamond exploration in the region. On December 31, 2009, the Company's indirect interest in the equity of SDM amounts to R\$ 5,872 - US\$ 3,372 (2008 - R\$ 54,408) (Note 2.4 (iv)). Management does not expect additional losses arising from the realization of the existing assets on the balance sheet date, as they will be sufficient to cover the obligations.

(ii) Corporate restructuring

Following the corporate restructuring process started in 2004 for the optimization of the Organization structure, the concentration of the current accounts in the Company as the manager of the current account agreement and central management of the cash balances maintained by the Organization companies, and the corporate segregation of the engineering and construction segments, real estate projects, environmental engineering, construction and assembly of industrial plants and investments in infrastructure and oil and gas segments, the following main transactions were performed in 2008 and 2009:

- On August 31, 2008, the Extraordinary General Meeting approved the partial spin-off of the Company's equity in the amount of R\$ 3,583, with the cancellation of 254,969 common shares and 185,494 preferred shares held by Odebrecht S.A. ("ODB"). This spin-off had three destinations: a portion spun-off amounting to R\$ 1,018, was merged into Odebrecht Plantas Industriais e Participações S.A. ("OPIP"), a portion spun-off amounting to R\$ 1,547, was merged into Odebrecht Serviços de Engenharia e Construção S.A. ("OSEC") and the remaining portion spun-off amounting to R\$ 1,018, was merged into Odebrecht Óleo e Gás Ltda. ("OOG").

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On the same date, in the Board of Directors' meeting, the partial spin-off of CBPO's equity, was approved in the amount of R\$ 2,011, with the cancellation of 5,966 quotas owned by Belgrávia Empreendimentos Imobiliários S.A. ("Belgrávia"). This spin-off had two destinations: a portion spun-off amounting to R\$ 1,003, was merged into OPIP and a portion spun-off amounting to R\$ 1,008, was merged into OSEC.

- . On November 30, 2008, the Extraordinary General Meeting approved the merger at book value of its parent company Odebrecht Participações S.A. ("ODBPAR") into the Company, with the increase of its capital stock by R\$ 64,861, upon the issue of 4,635,564 common shares and 3,371,975 preferred shares.
- . On December 15, 2008, Belgrávia reduced the capital of its indirect subsidiary Tenenge Overseas Corporation ("TOC") by the amount of US\$ 550,932 - R\$ 1,305,158, with the settlement of a portion of the existing current account between the companies.
- . On December 31, 2008, the Extraordinary General Meeting approved the increase of the Company's capital stock by R\$ 151,525 subscribed by the stockholder ODB upon the issue of 10,816,218 common shares and 7,868,900 preferred shares with no par value by means of the transfer of 20,685,872 preferred shares of Braskem S.A. ("Braskem") at the book value of November 30, 2008.
- . On December 31, 2009, the stockholder ODB sold to the Company and its direct subsidiary Belgrávia, its interest in direct subsidiaries OPIP and OSEC at book value of December 31, 2009 for R\$ 228,570 - US\$ 131,272 and R\$ 168,878 - US\$ 96,989, respectively, with a corresponding entry to the existing current account with the Company and Belgrávia. Considering that this transaction were performed between parties under common control, no goodwill or negative goodwill should be considered.
- . On December 31, 2009, the Extraordinary Stockholders' Meeting approved the subscription and payment of the capital increase of Odebrecht Serviços e Participações S.A. ("OSP") by R\$ 735,901 - US\$ 422,640 with shares issued by Braskem held by the direct subsidiary Belgrávia at book value of November 30, 2009 (Note 9 (a) (ii)). Considering that this transaction were performed between parties under common control, no goodwill or negative goodwill should be considered.

The Company and its subsidiaries, as participants in the corporate restructuring process, may be affected by economic and/or corporate aspects as a result of the outcome of this process.

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(iii) Financial position and ratings

In October 2009, ODB's subsidiary, Odebrecht Finance Ltd. ("OFL"), issued Bonds in the amount of US\$ 500,000 (Notes 11 (e) and (h)), and a portion of the funds raised was used to reimburse CNO for advanced payments made during the year. These funds plus financial resources arising from significant receipts of advances from customers and invoices in 2009 comprise the balance of cash and cash equivalents and financial investments at the end of the year.

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

In December 2009, the rating agency Moody's started to cover CNO, assigning it a Baa3 investment grade rating on the global scale and Aa1.br on the Brazilian national scale.

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

	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch Ratings</u>
National Scale – Long-term	Aa1.br	br AA -	AA (bra)
Global Scale – Local and Foreign Currency	Baa3	BB	BB +

2 Financial Statements Presentation and Significant Accounting Practices

2.1 Presentation of the consolidated financial statements

These financial statements were approved by the Company's Directors on March 19, 2010.

The financial statements of the Company and its subsidiaries were prepared and are presented in accordance with the accounting practices adopted in Brazil based on the requirements of Brazilian corporate law.

In the preparation of the consolidated financial statements, it is necessary to utilize estimates to record certain assets, liabilities, revenues and expenses. Therefore, these financial statements include various estimates relating to the selection of the useful lives of property and equipment, measurement of revenue earned from services rendered under long-term contracts, provisions for contingent liabilities, determination of provisions for income tax and other matters. Although these estimates have been made with the highest accuracy possible, they may differ from the actual amounts and data.

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The significant accounting practices adopted in the preparation of these financial statements correspond to the standards and guidelines that are in effect for the financial statements for the year ended December 31, 2009, which will be different from those that will be used in the preparation of the financial statements for December 31, 2010, as described in item 2.3 below.

2.2 Description of the significant accounting practices adopted

The significant accounting practices adopted in the preparation of these consolidated financial statements are described below:

(a) Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits, and highly liquid short-term investments that can be readily converted into a known amount of cash and that are subject to insignificant risk of change in value, stated at cost plus income accrued up to the balance sheet date, not exceeding market value.

(b) Financial instruments

(i) Classification and measurement

The Company classifies its financial assets in the following categories: measured at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at the initial recognition.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are the financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. The assets in this category are classified as current assets.

Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are presented in the statement of income in the "Financial Result" account in the period they are accrued or incurred, unless the instrument has been contracted in connection with another operation. In this case, the changes are recognized in the same income statement account affected by said operation.

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Loans and receivables

This category includes the loans granted and receivables that are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They are classified as current assets, except for those falling due more than 12 months after the balance sheet date (these are classified as non-current assets). The Company's loans and receivables include loans to entities of the Organization, trade accounts receivable, other accounts receivable and cash and cash equivalents, except short-term investments. Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Held-to-maturity assets

These are basically the financial assets that cannot be classified as loans and receivables because they are quoted in an active market. In this case, these financial assets are acquired with the intention and financial capacity to hold them in the portfolio up to maturity. They are stated at cost of acquisition, plus accrued earnings credited to the statement of income, using the effective interest rate method.

Available-for-sale financial assets

The available-for-sale financial assets are non-derivatives that are not classified in the categories described above. They are included in non-current assets, unless management intends to dispose of the investment within twelve months after the balance sheet date. The available-for-sale financial assets are accounted for at fair value. The interest on available-for-sale securities, calculated using the effective interest rate method, is recognized in the statement of income in the "Financial result, net" account. The portion related to the change in fair value is recorded against stockholders' equity in the "Equity evaluation adjustment" account, and transferred to the statement of income upon sale or impairment.

Fair value

The fair values of the investments that are publicly quoted are based on current purchase prices. For the financial assets that do not have an active market or that are not publicly quoted, the Company determines fair value by means of valuation techniques.

These techniques include the use of recent arm's length market transactions, the reference to other substantially similar instruments, the discounted cash flow analysis and option pricing models that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

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At the balance sheet date, the Company evaluates whether there is objective evidence that a financial asset or a group of financial assets is recorded at an amount that exceeds its recoverable amount (impairment). If there is any evidence for the available-for-sale financial assets, the cumulative loss – measured as the difference between the cost of acquisition and the current fair value, less any impairment loss on this financial asset that was previously recognized in income or loss – is transferred from stockholders' equity to the statement of income. At December 31, 2009 and 2008, the Company did not identify any financial assets with recoverable amounts lower than their carrying values.

(ii) Derivative instruments and hedge activities

Initially, derivatives are recognized at fair value, on the date when the contract is entered into. They are subsequently remeasured at their fair value with the changes in fair value recorded in the statement of income.

Although the Company uses derivatives for the purposes of protection, it has not designated any instruments as hedges for accounting purposes.

The fair value of financial instruments is disclosed in Note 19(e).

(c) Trade accounts receivable

Initially, trade accounts receivable are stated at present value, less the allowance for doubtful accounts, which, when applicable, is established at an amount considered sufficient by management after analyzing the operations and taking into consideration the economic scenario of the countries in which it operates, past experience, specific portfolio risks and negotiations in progress, as well as administrative or judicial collection proceedings. The amount of the allowance is the difference between book value and realizable value.

(d) Inventories

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

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

(e) Income tax and social contribution

Deferred income tax and social contribution are calculated on tax loss carryforwards and temporary differences between the tax bases of assets and liabilities and book values in the financial statements. The rates of these taxes, currently established for determining deferred assets and liabilities, are 25% for income tax and 9% for social contribution (Note 13 (b)).

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Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available for use to offset temporary differences and/or tax losses, based on projections of future results prepared and based on internal assumptions and future economic scenarios that may, therefore, not materialize as expected.

(f) Judicial deposits

Judicial deposits are monetarily restated and presented as a deduction of the corresponding liability when there is no possibility of redemption of said deposits, unless there is a favorable outcome for the Company and its subsidiaries in the dispute.

(g) Investments in subsidiaries and associates

Cost and/or equity value

Associates are investees in which the Company has a significant influence over their management and are recorded on the equity method. Significant influence is presumed when the ownership interest directly or indirectly represents twenty percent (20%) or more of the investee's voting capital. According to this method, the interest of the Company in the increase or decrease of an associate's or subsidiary's net equity, after the acquisition, due to the net income or loss for the period, or due to gains or losses in capital reserves or prior year adjustments, is recognized as operating income or expense.

In the case of foreign exchange variation on investments in foreign associates and subsidiaries as from 2008, the changes in the amount of the investments exclusively arising from foreign exchange variation are recorded in the "Equity evaluation adjustment" account in the Company's stockholders' equity and are only recorded in income or loss for the year if the investments are sold or written down as a loss. Additionally, investments in branches that are operationally and financially independent are recorded using the equity method.

For the purposes of calculating equity in the results of associates and subsidiaries, intercompany gains or transactions are eliminated in consolidation. Unrealized losses are also eliminated, unless the transaction presents evidence of impairment of the transferred asset. When necessary, the accounting practices of subsidiaries and associates are changed to ensure consistency with the accounting practices adopted by the Company.

Goodwill/negative goodwill

The goodwill or negative goodwill on the acquisition of an investment is the difference between the purchase price and the book value of the net equity of the company acquired. Negative goodwill is amortized only upon the disposal of the investment.

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The Company's investments in associates include goodwill paid upon their acquisition and supported by expectations of future results, net of accumulated amortization recognized up to December 31, 2008, as this goodwill ceased to be systematically amortized as from the year started January 1, 2009, as required by CPC 13 – First-time adoption of Law 11,638/07 (“CPC 13”). However, the goodwill based on the expectation of future results is subject to the impairment tests based on the pronouncement CPC 01 – Impairment of Assets (“CPC 01”) and is now presented in intangible assets as a result of the changes introduced by Laws 11,638/07 and 11,941/09, as well as by MP 449/08.

(h) Translation of foreign currency

Items included in the consolidated financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Brazilian reais, which is the Company's functional and the group's presentation currency under CPC 02 – Effects of the changes in exchange rates and translation of the financial statements (“CPC 02”).

The transactions in foreign currency are translated into Brazilian reais using the exchange rates prevailing on the date of the transactions. Balance sheet accounts are translated at the exchange rate prevailing on the balance sheet date. Exchange gains and losses resulting from the settlement of these transactions and translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of income. The financial statements of the Company's foreign investees are translated in accordance with the guidelines in pronouncement CPC 02. The effects of the exchange variation arising from this translation are recorded in the Company's stockholders' equity in the “Equity evaluation adjustment” account, and only recognized in the statement of income upon their effective realization.

(i) Property and equipment

Property and equipment comprise, mainly, machines and equipment used in civil construction contracts and is depreciated on the straight-line basis at the annual rates mentioned in Note 10, which take into consideration the economic useful lives of the assets. Land is not depreciated.

Gains and losses on disposals are determined by comparing the disposal amounts with book values and are recorded as other income (expenses), net (Note 20).

Repair and maintenance costs are allocated to the statement of income as incurred. The cost of the main renovations of fixed assets is added to the book value of the asset when it is likely that the future economic benefits that exceed the initially estimated performance standard for the existing asset will be obtained by the Company and its subsidiaries. The main renovations are depreciated over the remaining useful life of the related asset.

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(j) Intangible assets

These are represented by acquired licenses of computer programs that are capitalized and amortized over their estimated useful life, as well as goodwill attributed to expected future profitability that was originally recorded in the investment account (Note 2.2 (g)).

Ongoing costs associated with the development or maintenance of software are recognized as expenses as they are incurred. Costs directly related to identifiable and exclusive software, controlled by the Company and that will probably generate higher economic benefits than the costs for longer than a year are recognized as intangible assets. Direct costs include remuneration of the employees of the software development team and a portion of the related general expenses.

Costs with development of software recognized as assets are amortized on the straight-line basis over their useful lives up to ten years.

(k) Deferred charges

Deferred charges comprise mainly pre-operating and reorganization expenses that are amortized over a maximum period of ten years based on the period for the completion of the works.

As allowed by Law 11,941/09 and MP 449/08, the balance of deferred charges existing at December 31, 2008 was maintained until its full amortization, subject to annual impairment analysis.

(l) Impairment of assets

Property and equipment and other non-current assets, including goodwill and intangible assets, are reviewed for impairment annually or whenever events or changes in the circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill for which a provision for impairment losses has been recognized are reviewed for possible reversal of the provision at the balance sheet date.

(m) Leases

Leases of property and equipment in which the Company assumes substantially all risks and benefits of ownership are classified as financial leases. Financial leases are capitalized at the inception of the lease as property and equipment and as financial liability (lease). Property and equipment acquired in a financial lease are depreciated at the rates disclosed in Note 10.

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Leases in which a significant part of the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made for operating lease are allocated to the statement of income on the straight-line basis over the term of the lease (Note 21).

(n) Provisions

Provisions are recognized when the Company has a present legal or informal obligation as a result of past events, it is likely that assets will be surrendered to settle the obligation and a reliable estimate of the amount can be made.

The Company recognizes a provision for onerous contracts when the benefits that are expected to be obtained under a contract are lower than the inevitable costs to meet the contractual obligations assumed.

(o) Debts

Debts are initially recognized on the receipt of funds, at fair value, net of transaction costs. Debts are subsequently presented at amortized cost, that is, increased by charges and interest on a pro rata temporis basis in the period they were incurred.

(p) Recognition of revenues

Revenues from construction contracts are recognized based on the percentage of completion of each contract on the base date of the financial statements. The method used to determine the percentage of completion takes into consideration the proportion between the costs incurred and the services provided to that date, and the total costs estimated for the contract. When revenue from construction contracts cannot be reliably calculated using this method, the Company and its subsidiaries take into consideration an estimate of the work performed up to the relevant date.

The revenues from construction that exceed allocated revenues are recorded in the advances from customers account in current and non-current liabilities, in accordance with the construction term.

(q) Basis of translation

The accounting records are maintained in reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the December 31, 2009 local currency financial statements, using the exchange rate prevailing on that date of R\$ 1.7412 to US\$ 1.00. Such translation should not be construed as representing that the amounts in reais represent, or have been, or could be, converted in U.S. dollars at that or at any other rate.

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2.3 Standards and interpretations of standards that are not yet in effect

The standards and interpretations of standards listed below were published and are effective for the years beginning on or after January 1, 2010. Additionally, other standards and interpretations have also been published, which change the accounting practices adopted in Brazil as part of the process for the convergence with the IFRS. The standards listed below are only those that could have a more significant impact on the consolidated financial statements of the Company. According to these new standards, the figures for 2009 presented in these financial statements will be restated for comparison purposes when the 2010 financial statements are presented. The Company and its subsidiaries did not early adopt these standards for the year ended December 31, 2009.

(a) Pronouncements

- . CPC 15 – Business combinations
- . CPC 16 - Inventories
- . CPC 19 - Investment in a joint venture
- . CPC 20 - Borrowing costs
- . CPC 22 - Segment information
- . CPC 26 - Presentation of the financial statements
- . CPC 31 – Non-current assets held for sale and discontinued operations
- . CPC 33 – Benefits to employees
- . CPC 34 - Exploration and evaluation of mineral resources
- . CPC 36 - Consolidated statements
- . CPC 37 - First-time adoption of IFRS
- . CPC 38 - Financial instruments: recognition and measurement
- . CPC 39 - Financial instruments: presentation
- . CPC 40 - Financial instruments: disclosure

(b) Interpretations

- . CPC Interpretation (ICPC) 08 – Accounting for dividend payment proposal
- . CPC Interpretation (ICPC) 09 - Individual and consolidated financial statements and application of the equity method

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2.4 Consolidated financial statements

- (i) The consolidated financial statements have been prepared in accordance with the consolidation practices provided for in Brazilian corporate law, and comprise the financial statements of the Company and its direct and indirect subsidiaries, in addition to the overseas branches:

	Country	Direct and indirect holding (%)	
		2009	2008
Auto Pista Del Coral S.A. (a)	Dominican Republic	50.00	
Atlantic Charter LLC	USA	100.00	100.00
Belgravia Empreendimentos Imobiliários S.A.	Brazil	100.00	100.00
Bento Pedroso Construções S.A. ("BPC")	Portugal	100.00	100.00
Brazilian Olex Importação e Exportação S.A. Shanghai Representative Office (a)	China	100.00	
CBPO	Brazil	100.00	100.00
CBPO Engenharia Ltda. - Argentina	Argentina	100.00	100.00
CBPO Engenharia Ltda. - Chile	Chile	100.00	100.00
CBPO Engenharia Ltda. - Peru	Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Ltd.	Cayman Islands	100.00	100.00
Centaurus Participações S.A.	Cayman Islands	100.00	100.00
CODEPA - Companhia de Desenvolvimento e Participações S.A. (a)	Brazil	100.00	
Companhia de Obras e Infra estrutura	Brazil	100.00	100.00
Conirsa S.A.	Peru	70.00	70.00
Constructora Norberto Odebrecht de Colombia Ltda.	Colombia	100.00	100.00
Constructora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Constructora Odebrecht Chile S.A.	Chile	100.00	100.00
Constructora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
Constructora Norberto Odebrecht Bolivia S.A.	Bolivia	100.00	100.00
Constructora Norberto Odebrecht de Panamá S.A.	Panama	100.00	100.00
Constructora Norberto Odebrecht S.A. - Angola	Angola	100.00	100.00
Constructora Norberto Odebrecht S.A. - Argelia	Argelia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Argentina	Argentina	100.00	100.00
Constructora Norberto Odebrecht S.A. - Bolivia	Bolivia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Colombia	Colombia	100.00	100.00
Constructora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Constructora Norberto Odebrecht S.A. - Cuba (a)	Cuba	100.00	
Constructora Norberto Odebrecht S.A. - Arab Emirates	Arab Emirates	100.00	100.00
Constructora Norberto Odebrecht S.A. - Ecuador	Ecuador	100.00	100.00
Constructora Norberto Odebrecht S.A. - Spain	Spain	100.00	100.00
Constructora Norberto Odebrecht S.A. - Mexico	Mexico	100.00	100.00
Constructora Norberto Odebrecht S.A. - Mozambique	Mozambique	100.00	100.00
Constructora Norberto Odebrecht S.A. - Panama	Panama	100.00	100.00
Constructora Norberto Odebrecht S.A. - Peru	Peru	100.00	100.00
Constructora Norberto Odebrecht S.A. - Dominican Republic	Dominican Republic	100.00	100.00
Constructora Norberto Odebrecht S.A. - Uruguai	Uruguay	100.00	100.00
Constructora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Dhaw ahi Almadeena Construction LLC	USA	100.00	100.00
Dominicana Ingeniería y Construcción S.A.	Dominican Republic	100.00	100.00
Energipar Participações S.A.	Brazil	100.00	100.00
Libyan Brazilian Construction and Development Company	Libya	60.00	60.00
Multitrade S.A.	Brazil	100.00	100.00
Odebrecht Global Sourcing, Inc. (a) (e)	USA	100.00	
Odebrecht Construction International Inc. (a)	USA	100.00	

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	Country	Direct and indirect holding (%)	
		2009	2008
Odebrecht Angola Projectos e Serviços Ltda.	Angola	100.00	100.00
Odebrecht Argentina S.A. (a)	Argentina	100.00	
Odebrecht Construction International, Inc.	Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.	Malta	100.00	100.00
Odebrecht Construction, Inc. ("OC")	USA	100.00	100.00
Odebrecht Djibouti FZCO	Djibouti	100.00	100.00
Odebrecht Djibouti SAZF (c)	Djibouti		100.00
Odebrecht Engenharia e Construção S.A.	Brazil	100.00	100.00
Odebrecht Equipamentos Ltda.	Brazil	100.00	100.00
Odebrecht Engineering & Construction Ltd.	Malta	100.00	100.00
Odebrecht Holding GMBH (a)	Austria	100.00	
Odebrecht Ingeniería y Construcción de España, S.L.	Spain	100.00	100.00
Odebrecht Ingeniería y Construcción de Mexico, S de RL de CV.	Mexico	100.00	100.00
Odebrecht International B.V.	Holland	100.00	100.00
Odebrecht Investimentos e Participações SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Rodoviárias SGPS S.A.	Portugal	100.00	100.00
OMSI	Cayman Islands	100.00	100.00
Odebrecht Services Limited (d)	England	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 Plantas Industriais Participações S.A. ("OPIP") (b)	Brazil	100.00	
OLEX Import and Export S.A. ("OLEX")	Brazil	100.00	100.00
OSEL - Odebrecht Serviços no Exterior Ltd. ("OSEL")	Cayman Islands	100.00	100.00
Odebrecht Serviços Engenharia e Construção S.A. ("OSEC") (b)	Brazil	100.00	
Tenenge (UK) Ltd.	England	100.00	100.00
TOC	Cayman Islands	100.00	100.00
Companies proportionally consolidated			
SDM	Angola	50.00	50.00
Catoca	Angola	16.40	16.40
Proyectos Ebramex S. de R.L. de C.V.	Mexico	33.33	33.33
Mina-Trico S.de R.L. de C.V.	Mexico	33.33	33.33
Participações Energéticas S.A.	Brazil	50.00	50.00
Obras Civas, L.N.2.2. ACE	Portugal	63.90	63.90
BPC, CBPO, Somague, Profabril, Kaiser e Acer, ACE	Portugal	50.00	50.00
Obras Civas, L.N. 2.1. ACE	Portugal	40.00	40.00
Lismercado Construções – Bento Pedroso, Somague, H.Hagen, ACE	Portugal	40.00	40.00
Somague, BPC, Engil, SPIE em ACE	Portugal	26.32	26.32
Somague, BPC, Engil, SPIE-S.B.E.S. - Prolongamento da Linha Vermelha do Metropolitano, ACE	Portugal	26.32	26.32
Somague-Bento Pedroso-Nesco-Dragados, ACE	Portugal	25.00	25.00
Edifer, Soconstroi, BPC, Somague e Acciona, ACE	Portugal	20.00	20.00
Norace – Construtoras das Auto-estradas do Norte, ACE	Portugal	17.34	17.34
Vianor – Construtoras das Auto-estradas da Costa de Prata, ACE	Portugal	17.25	17.25
Lusitânia – Construtoras das Auto-estradas das Beiras Litoral e Alta, ACE	Portugal	17.25	17.25
Portuscale – Construtoras das Auto-estradas do Grande Porto, ACE	Portugal	17.25	17.25
TACE - Construção da Travessia Rodoviária de Tejo, ACE	Portugal	16.67	16.67
Agrupamento para a Construção da Segunda Travessia do Tejo, ACE	Portugal	14.34	14.34
Baixo Sabor - Bento pedroso Construções e Lena Engenharia e Construções, ACE	Portugal	50.00	50.00
Glace - Construtoras das Auto-estradas de Grande Lisboa, ACE	Portugal	17.25	17.25
Glex - Expropriações da Grande Lisboa, ACE	Portugal	14.23	14.23
United ODB LDC.	Arab Emirates	50.00	49.00
Xingu - Sócio Ambiental Ltda.	Brazil	33.33	33.33

(a) Company founded in 2009.

(b) Investment acquired in 2009.

(c) Company extinct in 2009.

(d) The former corporate name Odebrecht Oil and Gas Services Ltd., was changed in 2008.

(e) The former corporate name Odebrecht - Olex International Inc. was changed in 2009.

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(ii) Information on the main direct and indirect subsidiaries included in consolidation:

	Number of shares or quotas directly or indirectly held		Stockholders' equity		Net income (loss) for the year	
	2009	2008	2009	2008	2009	2008
			US\$	R\$	US\$	R\$
BPC	7,399,859	7,399,859	152,903	293,561	24,167	42,079
CBPO	2,321,413	2,321,413	535,965	946,396	3,221	5,608
OCI	86,806,032	86,806,032	145,906	161,216	27,609	48,072
OOL	165,213,213	165,213,213	212,857	45,978	218,114	379,781
OPIIC	4,357,442	4,357,442	68,830	113,929	17,795	30,985
OSEL	100,000,000	100,000,000	291,753	293,910	192,777	335,663
SDM - jointly controlled	225,000	225,000	6,745	108,816	(43,058)	(74,972)
CATOCA - jointly controlled	1	1	125,072	377,756	57,178	99,559
Construtora Norberto Odebrecht S.A. - Venezuela (Sucursal)			65,913	37,959	97,931	170,518
OPIP (a)	300,000,000		131,272			
OSEC (a)	301,007,957		96,990			

(a) Investments acquired on December 31, 2009 (Note 1 (ii)).

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- (iii) In the consolidated financial statements, the investors' interests in the investees' net worth and results, balances of intercompany assets, liabilities, income and expenses were eliminated. Minority interests in stockholders' equity and net income or loss for the year are presented separately. The asset, liability, income and expense accounts of jointly-controlled subsidiaries are consolidated in proportion to the total ownership of their capital.
- (iv) The balance sheets and the net income or loss proportionally consolidated, in accordance with the accounting practices adopted in Brazil, for the main jointly-controlled companies are summarized as follows (amounts equivalent to the participation of the Company):

	SDM			Catoca		
	2009		2008	2009		2008
	US\$	R\$		US\$	R\$	
Current assets	2,478	4,316	41,018	28,700	49,972	56,919
Non-current assets	4,897	8,526	21,692	2,360	4,110	4,771
Permanent assets			17,864	26,806	46,674	76,872
Current liabilities	3,568	6,213	21,037	27,712	48,252	48,426
Non-current liabilities	435	757	5,129	9,642	16,789	28,184
Stockholders' equity	3,372	5,872	54,408	20,512	35,715	61,952
Net income (loss) for the year	(21,529)	(37,486)	(12,845)	9,377	16,328	29,618

3 Financial Investments

	2009		2008	
	Held to maturity		Total	Total
	US\$	R\$	US\$	R\$
Derivatives				28,026
Government securities				10,328
Certificates of deposit	77,397	134,763	77,397	132,764
Others	2,303	4,011	2,303	4,939
	79,700	138,774	79,700	176,057
Current assets	(77,401)	(134,771)	(77,401)	(172,054)
Non-current assets	2,299	4,003	2,299	4,003

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4 Trade Accounts Receivable

		<u>2009</u>	<u>2008</u>
	<u>US\$</u>		<u>R\$</u>
Public sector			
Federal	1,551,660	2,701,751	2,090,265
State	315,326	549,045	868,749
Municipal	219,379	381,982	310,547
	<u>2,086,365</u>	<u>3,632,778</u>	<u>3,269,561</u>
Private sector	424,546	739,220	852,176
	<u>2,510,911</u>	<u>4,371,998</u>	<u>4,121,737</u>
Current assets	<u>(2,096,164)</u>	<u>(3,649,840)</u>	<u>(2,857,778)</u>
Non-current assets	<u>414,747</u>	<u>722,158</u>	<u>1,263,959</u>

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

The balances of trade accounts receivable were calculated taking into consideration the contractual terms, specific portfolio risks and negotiations in progress, including administrative and judicial collection processes, in order to recover amounts due for services rendered, including financial charges. Furthermore, taking into consideration the history of minimal losses that the Company and its subsidiaries have incurred, management does not expect losses on the realization of such receivables and believes that the recognition of amounts in addition to those recorded may occur when sufficient evidence exists to support a reasonable expectation that the corresponding amounts will be received. Trade accounts receivable at December 31, 2009 include R\$ 331,242 - US\$ 190,238 (2008 - R\$ 656,729) of overdue receivables from government entities under judicial collection, where the major part has received favorable judgments, and R\$ 212,992 - US\$ 122,325 (2008 - R\$ 200,070) of overdue receivables which the Company is attempting to collect through administrative actions with the debtors.

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5 Taxes Recoverable

		2009	2008
	US\$		R\$
Current assets			
Social contributions recoverable	100	174	2,871
IR, CSL, PIS and COFINS withheld at source on invoicing and withholding IR on earnings from financial investments and invoicing	60,608	105,531	100,162
Income Tax prepaid by overseas branches and subsidiaries	80,779	140,652	113,260
Foreign branches/ subsidiaries value added tax			
Construtora Norberto Odebrecht S.A. - Ecuador			4,224
Construtora Norberto Odebrecht S.A. - Venezuela (*)	60,130	104,699	185,691
Construtora Norberto Odebrecht S.A. - Argentina	30,050	52,323	49,750
Construtora Norberto Odebrecht S.A. - Mexico			5,544
Bento Pedroso Construções S.A. - Portugal	2,010	3,500	7,530
Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L. - Angola			7,668
Other taxes recoverable	1,651	2,874	4,073
	<u>235,328</u>	<u>409,753</u>	<u>480,773</u>
Non-current assets			
Foreign branches/subsidiaries value added tax - Venezuela (*)	57,432	100,000	
Credit for income tax abroad			98,510
IR withheld at source on dividends abroad	377	656	22,018
Other taxes recoverable	5,136	8,943	7,900
	<u>62,945</u>	<u>109,599</u>	<u>128,428</u>

(*) Refers to credits of the branch in Venezuela, for which management provided formalization of the return of the related withholding tax with the Venezuelan authorities in the amount of R\$ 54,666 - US\$ 31,396. Management does not expect losses on realization of such tax credits. The balance of R\$ 204,699 - US\$ 117,562 is recorded at its realizable value and additional losses are not expected.

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6 Inventories

		2009	2008
	US\$		R\$
Finished products (i)	3,667	6,385	33,075
Raw materials (i)	1,688	2,939	8,295
Materials to be used in construction works	289,821	504,637	685,695
Marketable properties	59,002	102,735	71,934
Imports and exports in progress	22,007	38,319	91,196
Inventories in transit	890	1,550	8,655
Advances to suppliers	82,791	144,154	222,593
	<u>459,866</u>	<u>800,719</u>	<u>1,121,443</u>

(i) These basically refer to the diamond inventories of the jointly-controlled entities SDM and Catoca.

7 Eletrobrás Credits

On October 23, 2006 according to the "Contract of Assignment of Credit Rights Subject to a Legal Action with a Judgment made Final and Unappealable", Odebrecht Investimentos S.A. (merged into ODB) sold to the Company, the credit rights arising from the proceeding No. 2001.34.00.029764-8, which was judged in a final and unappealable decision in 2006, originally filed by OPP Química S.A. (merged into Braskem S.A) against Centrais Elétricas Brasileiras S.A. - Eletrobras ("Eletrobras"). Such assignment had the net amount of R\$ 238,234, after deducting the fees of the lawyers contracted to accompany the legal action. The Company paid the amount corresponding to such sale in cash, in the amount of R\$ 149,959, and the remaining balance in the amount of R\$ 88,275 was used by the Company to partially reduce the receivables from ODB (former name of ODBPAR Investimentos S.A.) relative to the current account agreement existing between the parties.

According to the final and unappealable decision, Eletrobras was obliged to (i) monetarily adjust the payments made by the plaintiff from 1977 up to 1994, as Eletrobrás Compulsory Loan ("ECE") determined by Law 4,156/62, using the monetary adjustment rates decided in such legal decision; (ii) pay interest at the rate of 6% per year, according to Law 5,073/66, on the difference in the monetary adjustment; and (iii) reimburse the legal costs and pay the loss of lawsuit fees.

Further to the final and unappealable decision, the following events have occurred in respect to the legal action: (i) proposition of credit execution against Eletrobras, in the amount of R\$ 261,557; (ii) payment in court by Eletrobras, of part of the executed amount of R\$ 71,187; and (iii) filing of the opposition by Eletrobras, with the purpose of discussing the criteria for

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calculating the amount of the remaining balance, and offering the nominative preferred shares of a subsidiary in guarantee sufficient to cover the remaining balance.

In January 2008, the Company received a portion of the payment made in court in the amount of R\$ 59,104, and awaits the final result of the expert's report to determine the difference contested by Eletrobras.

On February 11, 2010, the Federal Court of Brasília determined the amount of the expert's fees and established a date for the expert to present his report to the court. The expert should present the report within five months from the date his fees were paid, which was done by the Company in February.

8 Odebrecht Organization Companies

	<u>Long-term receivables</u>	<u>Long-term liabilities</u>	<u>Financial income (expenses), net</u>
CBPO Malaysia SDN BHD	9,228		
Aqueduct Trading Services Co. Inc. ("Aqueduct")		68,583	
ODB	819,153		
Odebrecht International Coporation ("ODBIC")	21,267		
ETH Bioenergia S.A.	217,698		
Others	3,994		12,365
Balance at December 31, 2009 - R\$	<u>1,071,340</u>	<u>68,583</u>	<u>12,365</u>
Balance at December 31, 2009 - US\$	<u>615,288</u>	<u>39,388</u>	<u>7,101</u>
Balance at December 31, 2008 - R\$	<u>1,034,409</u>	<u>305,192</u>	<u>6,188</u>

The main balances with the Organization companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by the Organization companies. The operations consist of lending of funds, assignments of credits and assumptions of obligations and are not subject to financial interest. The financial result is represented, mainly, by the foreign exchange variation on balances with associated companies overseas.

9 Investments

(a) Information on the investees

At December 31, 2009 and 2008, the balance of the investments in associated companies mainly related to the indirect participation in Braskem through the investees Belgrávia and OSP (Note 1 (ii)), which is recorded using the equity method.

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On December 31, 2009, the Extraordinary Stockholders' Meeting approved the subscription and payment of the capital increase of OSP by R\$ 735,901 - US\$ 422,640 with 78,512,673 preferred shares issued by Braskem held by the direct subsidiary Belgravia at the book value of November 30, 2009.

See in Notes (i) and (ii) below, the main information on and changes in investments for the periods:

(i) Details on the investment in Braskem S.A.

	OSP		Braskem
	2009 (*)	November 30, 2009	2008
Number of shares held - preferred	735,901,322	78,512,673	78,512,673
Direct holding (%)	41.42	15.12	15.47
Stockholder's equity - In R\$	1,742,266	4,832,038	3,679,858
Stockholder's equity - In US\$	1,000,612	2,775,119	
	Loss from December 1, to December 31, 2009	Eleven-month period ended November 30, 2009	Year ended December 31, 2008
Net income (loss) for the year/period - In R\$	(44,148)	1,033,554	(2,492,107)
Net income (loss) for the year/period - In US\$	(25,355)	593,587	

(*) Unaudited information

(ii) Changes in the investments in associated companies

	2009		2008
	US\$		R\$
Braskem			
Opening balance of investment in Braskem	317,659	553,107	770,376
Increased participation - book value (b)			151,525
Equity in results	89,743	156,260	(289,710)
Gain (loss) on equity participation (c)	1,723	3,000	(63,107)
Equity evaluation adjustment (a)	872	1,519	(16,097)
Investment used to acquire shares in OSP (Note 1 (ii))	(410,185)	(714,214)	
Others	188	328	120
OSP			
Acquisition of investment (Note 1 (ii)) (d)	422,640	735,901	
Equity evaluation adjustment (a)	2,333	4,060	
Equity in results	(10,503)	(18,287)	
Total associated companies	414,470	721,674	553,107
Other investments	48,779	84,936	33,253
Balance at the end of the year	463,249	806,610	586,360

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- (a) The impact of the adjustments to market value of financial instruments classified as “Available-for-sale” in Braskem, which are not realized, was directly recorded in stockholders’ equity in the “Equity evaluation adjustment” account in an amount that is proportional to the participation in Braskem, totaling R\$ 5,579 - US\$ 3,204 (2008 - R\$ 16,097) (Note 14 (d)).
- (b) On December 31, 2008, ODB increased CNO’s capital by R\$ 151,525, using its investment in Braskem, represented by 20,685,872 preferred shares, which had an equity value of R\$ 167,692, with negative goodwill of R\$ 16,167.
- (c) In the years ended December 31, 2009 and 2008, there were changes in the shareholding position of Braskem, resulting in adjustments to the equity interest held by the Company recorded as gain (loss) on equity participation.
- (d) The amount of the investment includes the cost of the investment in Braskem at November 30, 2009 corresponding to R\$ 714,214 - US\$ 410,185 plus goodwill related to the same investment of R\$ 21,687 - US\$ 12,455, which was originally recorded in the intangible assets account.

(b) Provision for losses on investments

	<u>2009</u>	<u>2008</u>
<u>US\$</u>		<u>R\$</u>
UMON - Engenharia de Montagem Ltda.	4,340	7,556
UNICON - União de Construtoras Ltda.	1,353	2,356
Others	152	265
	<u>5,845</u>	<u>10,177</u>
		<u>9,986</u>

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(c) Other investments

Represented mainly by the investments of the indirect subsidiary BPC, headquartered in Portugal, in companies with concessions to build highways, all recorded under the cost method since interests are lower than 20% of the voting capital. The main balances are comprised as follows:

	2009		2008
	US\$		R\$
Aenor - Auto Estradas do Norte S.A.	22,449	39,089	50,482
Lusolisboa - Auto Estradas da Grande Lisboa S.A.	15,340	26,710	19,375
Lusoscut - Auto Estradas da Costa de Prata S.A.	7,993	13,917	15,492
Lusoscut - Auto Estradas das Beiras e Alta S.A.	17,486	30,447	41,802
Lusoscut - Auto Estradas do Grande Porto S.A.	12,679	22,076	34,329
Others	16,619	28,937	33,180
	<u>92,566</u>	<u>161,176</u>	<u>194,660</u>

10 Property and Equipment

	2009		2008		%	
	Cost	Acumulated depreciation	Net	Annual depreciation rates		
		R\$				US\$
Land	30,990		17,798	30,990	7,587	
Buildings and installations	163,492	(40,246)	70,782	123,246	131,496	4
Machines and equipment	1,912,670	(932,975)	562,655	979,695	1,282,056	10 to 20
Vehicles and ships	618,585	(349,681)	154,436	268,904	337,429	25
Furniture and fixtures	86,228	(30,070)	32,252	56,158	49,162	10
Others	208,704	(75,457)	76,527	133,247	185,004	0 to 10
	<u>3,020,669</u>	<u>(1,428,429)</u>	<u>914,450</u>	<u>1,592,240</u>	<u>1,992,734</u>	

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(i) Changes

	2009		2008	
	US\$		R\$	
At the beginning of the year	1,144,460	1,992,734	1,057,361	
(+) Additions	358,845	624,821	1,153,626	
(-) Disposals	(56,913)	(99,097)	(310,848)	
(-) Changes in corporate structure	4,098	7,136	(5,994)	
(-) Depreciation	(356,035)	(619,929)	(464,451)	
(-) Exchange variation	(180,005)	(313,425)	563,040	
At the end of the year	914,450	1,592,240	1,992,734	

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11

Debts

Financial institution/type of loans	Currency	Annual financial charges	2009		2008	
			US\$	R\$	US\$	R\$
Perpetual Bonds (i) (b)	US\$	9.625% + EV	200,428	348,985	468,400	
Medium-Term Note Program (i) (a) (1)	US\$	11.50% + EV			103,349	
Unibanco (i) (f) and (g)	US\$	Libor + 1.15% to 2.45% + EV / 8.00% to 8.75% + EV	46,322	80,656	447,152	
Santander	US\$ / €	Libor + 1.15% + EV / 1.91% + EV	1,385	2,412	62,356	
Banco do Brasil (i) (g)	R\$	127% to 128.5% CDI	142,793	248,631	130,843	
ABN Amro Bank	US\$	Libor + 0.275% + EV	56,247	97,938	129,691	
Bradesco (i) (f)	US\$	Libor + 1.15% to 5.10% + EV	75,197	130,933	35,075	
Banco Nacional de Paris	US\$ / €	Libor + 0.80% + EV / 1.80% 2.34% + EV	15,218	26,497	59,806	
Safra (i) (f)	US\$	Libor + 2.15% to 3.70% + EV / 5.90% + EV	40,663	70,803	119,449	
Banesco	VEF	18.50% to 28.00% + EV	78,845	137,285	102,999	
Itau (i) (f)	US\$	7.18% to 7.80% + EV	51,386	89,474		
Votorantim (i) (g)	US\$	7.50% + EV	50,396	87,749		
HSBC (i) (f)	US\$	Libor + 4.50% + EV / 6.85% + EV	65,506	114,059		
Banco Exterior	VEF	18.50% to 28.00% + EV	14,649	25,507	70,653	
Banco Mercantil de Venezuela	VEF	18.50% to 26.00% + EV			54,349	
BCP Invertemiento S.A.	€	2.71% to 5.10% + EV			73,047	
Bancaribe	VEF	24.00% to 25.00% + EV	18,185	31,664	43,479	
Banco Nacional de Credito	VEF	24.00% to 26.00% + EV			23,370	
Banco Africano de Investimento	US\$ / KWA	7.50% + EV / 16.00% to 18.00% + EV	15,820	27,545	27,223	
BBVA Bancomer S.A.	US\$	Libor + 0.85% + EV	12,722	22,152	26,019	
BSN Portugal S.A.	€	1.88% to 5.00% + EV				
BES de Investimento	€	2.50 to 3.64% + EV / Euribor + 2.00% + EV	19,757	34,401		
BBVA Trade Finance	US\$	3.93% to 4.85% + EV	8,629	15,025		
Banco Fomento de Angola	US\$	Libor + 1.18% + EV	2,620	4,562		
IKB Deutsche Bank	US\$	Libor + 0.95% + EV	5,876	10,232	19,944	
Societe Generale	VEF	Libor + 2.50% + EV			116,917	
Banco de Crédito del Peru	VEF	Libor + 0.95% + EV			10,633	
Banco del Sur	VEF	21.00% to 24.00% + EV				
Landesbank Baden	€	Libor + 2.025% + EV	5,759	10,027		
FINAME (i) (d)	R\$	23,522	40,956			
FINEP	R\$	TJLP + 0.86 to 4.45% / fixed interest 9.45% to 11.50%	94,012	163,694	204,791	
CCB Mercado de Capitais	R\$	fixed interest 5.25%	32,707	56,949		
PEC - BNDES	R\$	IPCA + 9.84%	121,509	211,572		
Various foreign financial institutions	R\$	TJLP + 5.30%	57,432	100,000		
Various Brazilian financial institutions	US\$ / € / AED / VEF	2.91% to 26.00% + EV / Eibor + 1.50% + EV	42,596	74,168	130,128	
	R\$	107% to 149% CDI	33,090	57,616	91,460	
			1,333,271	2,321,492	2,574,910	
			962,932	1,676,658	1,702,163	
		Less: Non current liabilities				
		Current liabilities	370,339	644,834	872,747	

Abbreviations:

CDI - Interbank Deposit Certificate
 EV - Exchange variation
 LIBOR - London Interbank Offered Rate
 Eibor - Emirates Interbank Offered Rate
 AED - Arab Emirates Dirham
 IPCA - Amplified Consumer Price Index
 FINAME - Financing of Machinery and Equipment
 VEF - Venezuelan Bolivares
 KWA - Angola Kwanza
 TJLP - Long-term Interest Rate
 FINEP - Financing of Development and Projects
 PEC - Special Credit Program

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(i) Additional information

- (a) On February 18, 2004, OOL placed the amount of US\$ 250,000 in the international financial markets through a Medium-Term Notes Program, falling due in up to five years from the issue date. Subsequently, on October 1, 2004, the total amount of this program was increased to US\$ 500,000. Under the program, OOL carried out the following issuances, all of which were guaranteed by the Company:
- (1) On February 25, 2004, in the amount of US\$ 150,000, maturing in February 2009. On August 9, 2007, OOL redeemed in advance approximately 72% of the Medium-Term Notes. The purpose of this operation was to obtain from investors their consent to match the restrictive clauses existing in this issue to those for the Perpetual Bonds (Note 11 (i) (b)). The amount paid in the operation was US\$ 107,475, plus a premium of US\$ 9,737, and interest of US\$ 5,631. The remaining balance corresponding to this operation and related interest, amounting to US\$ 44,970 - R\$ 107,551 was fully paid in February 2009;
 - (2) On February 25, 2004, in the amount of US\$ 15,000, maturing in February 2009. The debt was subsequently assumed by ODBIC, a subsidiary of ODB, pursuant to a Debt Assumption Agreement entered into by the parties, with the consent of the creditors. In February 2009, the operation and related interest was settled in the amount of US\$ 15,862;
 - (3) On November 14, 2005, in the amount of US\$ 15,000, maturing in February 2010. This debt was subsequently assumed by ODBIC, pursuant to a Debt Assumption Agreement entered into by the parties, with the consent of the creditors; and
 - (4) On November 14, 2007, in the amount of US\$ 72,800, maturing in November 2012. This debt was subsequently assumed by ODBIC, pursuant to a Debt Assumption Agreement entered into by the parties, with the consent of the creditors.
- (b) On September 24, 2005, OOL raised US\$ 200,000 in the European, Asian and North American international financial markets in Perpetual Bonds, with annual interest equivalent to 9.625%, paid quarterly. Such bonds have no maturity date but provide to the issuer a call option after 5 years from the issuance date, starting in September 2010 and subsequently, upon each payment of interest. This operation is guaranteed by the Company, and the balance with accrued interest on December 31, 2009 amounts to US\$ 200,428 - R\$ 348,985 (2008 - R\$ 468,400).

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- (c) On May 18, 2006, OOL raised with financial entities in the international market, a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 300,000 maturing in February 2010, with financial charges equivalent to LIBOR plus 1.15% p.a. If the credit line is not used, the financial charge is 0.65% p.a. payable monthly. As of December 31, 2009, this credit line is not being used.

In January 2010, this revolving credit line was renewed for another 3 years and increased to US\$ 500,000. The financial charges are equivalent to LIBOR plus 3.00% p.a. When the credit line is not being used, the charges are equivalent to 1.00% p.a. payable monthly.

- (d) On December 31, 2009, the debt related to equipment, vehicles and services used in the Company's ordinary course of business, plus accrued interest, amounts to R\$ 756,019 - US\$ 434,194 (2008 - R\$ 844,444). Most of the purchased assets are financed through BNDES credit lines (FINAME), for which the assets themselves are given as guarantee. On December 31, 2009, these debts amount to R\$ 163,694 - US\$ 94,012 (2008 - R\$ 204,791).
- (e) On October 18, 2007, a subsidiary company of ODB, OFL, raised US\$ 200,000 in Bonds on the international financial markets. These Bonds mature in October 2017 and have a call (repurchase) option in five years. The operation was guaranteed by the Company. On April 7, 2008, OFL increased the amount of this operation raising an additional US\$ 200,000 with the same characteristics as the existing operation.
- (f) As from June 2008, the subsidiary company OOL contracted import financing (FINIMP) falling due within up to three years after the issue date. On December 31, 2009, the balance of this financing is US\$ 245,407 - R\$ 427,303 (2008 - R\$ 428,154).
- (g) As from September 2008, the subsidiary company Olex raised export credit notes falling due within up to five years after the issue date. On December 31, 2009, the balance of this financing is US\$ 226,856 - R\$ 395,002 (2008 - R\$ 304,365).
- (h) On April 9, 2009, OFL raised US\$ 200,000 in Bonds on the international financial markets. These Bonds mature on April 9, 2014, and the operation was guaranteed by the Company. On October 21, 2009, OFL raised a further US\$ 500,000 in Bonds on the international financial markets. These Bonds mature on April 21, 2020 and with a repurchase option after five years. The operation was guaranteed by the Company.

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(ii) Composition of the non-current debt per year of maturity

The non-current amounts are due as follows:

		<u>2009</u>	<u>2008</u>
	<u>US\$</u>		<u>R\$</u>
2010			808,085
2011	285,372	496,890	197,584
2012	216,518	377,001	40,429
2013	103,079	179,481	243,338
2014 and thereafter	357,963	623,286	412,727
	<u>962,932</u>	<u>1,676,658</u>	<u>1,702,163</u>

(iii) Restrictive clauses and guarantees

The Bond issuances mentioned above have certain restrictive clauses, which are being complied with by the Company and its subsidiaries.

Long-term financing is secured by sureties or guarantees of the Company.

12 Provision for Contingencies

- (i) On December 31, 2009, the Company and its subsidiaries have provisions of R\$ 73,437 - US\$ 42,176 - (2008 - R\$ 36,540) recorded in current liabilities and R\$ 13,911 - US\$ 7,989 (2008 - R\$ 905) in non-current liabilities to cover (i) legal indemnity expenditures related to layoffs of employees, which is usual and inherent to its line of activity; the provision is based on the history of similar monthly disbursements; and (ii) labor, tax and civil claims which in the opinion of management and its legal advisors have a remote chance of a favorable outcome.

In addition, the Company and its subsidiary CBPO are defending labor and tax claims of R\$ 166,409 - US\$ 95,571 (2008 - R\$ 138,512), as well as civil claims of R\$ 296,106 - US\$ 170,059 - (2008 - R\$ 401,615), for which no provision for losses has been recorded because management and the legal advisors believe that no significant losses arising from the final decisions in these cases are probable.

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- (ii) In November 2009, the Company joined the Tax Debt Refinancing Program established by Law 11,941/09 and Provisional Measure 449/08 in order to settle its tax liabilities by means of a special installment system for the payment of its tax and social security obligations. The corresponding balance, amounting to US\$ 110,799 - R\$ 192,924, was divided into 65 monthly installments for the PAEX balance and 180 months for the other debts. On December 31, 2009, R\$ 176,370 - US\$ 101,292 (2008 – R\$ 50,452) is recorded under non-current liabilities and the remaining R\$ 16,554 - US\$ 9,507 (2008 - R\$ 5,552), is recorded under current liabilities. The effect on the net income for the year ended December 31, 2009 was R\$ 80,435 - US\$ 46,195, recorded under “Operating expenses - general and administrative expenses”.
- (iii) Since 2003, the Company's branch in Ecuador has been inspected by the Internal Revenue Service (local equivalent to the Brazilian Federal Revenue Service) relating to income tax returns filed from 1999 to 2002 and from 2004 to 2005. As a result of these inspections, the Ecuadorian tax authorities assessed this branch for additional amounts in relation to income and added value taxes, of approximately US\$ 18,594 - R\$ 32,376 and US\$ 3,797 - R\$ 6,611, respectively (not including interest, arrears fines and other potential charges). Management, considering that there are sufficient grounds for a favorable outcome, and based on the opinion of its external legal advisors, who believe that the chances of a loss are remote, did not set up a provision to cover potential losses arising from this matter.
- (iv) In 2008, CNO's branch in Venezuela was inspected by the Integrated National Customs and Tax Service (SENIAT), the body equivalent to the Brazilian Federal Revenue Service for federal taxes (IVA– Value-added Tax and ISLR - Income Tax), with respect to the income tax returns for 2006 and 2007. As a result of this inspection, the Venezuelan tax authority assessed this branch with respect to additional income tax.

The approximate amounts of the assessment for 2006 and 2007 were US\$ 71,628 - R\$ 124,719 and US\$ 57,674 - R\$ 100,423, respectively (including interest, arrears fines and other potential charges).

Based on these assessments, in December 2008, the Company accepted and paid the amount of US\$ 13,900 - R\$ 24,203, including fine and interest charges of US\$ 5,600 - R\$ 9,751, for 2006 and US\$ 8,300 - R\$ 14,452, for 2007. Management, considering that there are sufficient grounds for a favorable outcome, and based on the opinion of its external legal advisors, recognized a provision in the amount of US\$ 3,861- (R\$ 6,721 to cover potential losses arising from this matter.

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13 Income Tax and Social Contribution

(a) Composition of the effects on results – reversal (expense)

	<u>2009</u>		<u>2008</u>
	<u>US\$</u>		<u>R\$</u>
Deferred social contribution	(21,848)	(38,042)	40,229
Current social contribution	(9,391)	(16,351)	(411)
Total social contribution	(31,239)	(54,393)	39,818
Deferred income tax	(138,631)	(241,385)	111,227
Current income tax	(28,809)	(50,162)	(977)
Foreign income tax (branches and subsidiaries)	(154,889)	(269,692)	(258,930)
Total income tax	(322,329)	(561,239)	(148,680)

(b) Balances of deferred income tax and social contribution

The asset balances relate to income tax and social contribution on the tax losses and social contribution tax loss carryforward, respectively, and on the temporary differences arising mainly from the Company and its indirect subsidiary CBPO. The liability balances relate to income tax and social contribution on unrealized profits on sales to government entities and the effects of exchange variations, mainly in the Company and its indirect subsidiary CBPO.

The composition of the deferred income tax and social contribution accounts on December 31, 2009 and 2008 is as follows:

(i) Income tax

					<u>2009</u>	<u>2008</u>
	<u>On other temporary differences</u>	<u>Deferred income and exchange variation</u>	<u>Accumulated tax losses</u>	<u>Offsets</u>	<u>Total</u>	<u>Total</u>
In R\$						
Current assets	79,392			(31,001)	48,391	49,505
Non-current assets	70,344		2,285		72,629	17,924
Non-current liabilities		(360,218)	10,898	31,001	(318,319)	(102,780)
In US\$						
Current assets	45,596			(17,804)	27,792	
Non-current assets	40,400		1,312		41,712	
Non-current liabilities		(206,879)	6,259	17,804	(182,816)	

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(ii) Social contribution

	2009			2008	
	On other temporary differences	Deferred income and exchange variation	Offsets	Total	Total
In R\$					
Current assets	9,859		(6,428)	3,431	2,620
Non-current assets	26,677			26,677	4,962
Non-current liabilities		(125,246)	30,252	(94,994)	(56,087)
In US\$					
Current assets	5,662		(3,692)	1,970	
Non-current assets	15,321			15,321	
Non-current liabilities		(71,931)	17,374	(54,557)	

(c) **Recoverability of recorded deferred assets**

At December 31, 2009, the Company and its subsidiaries have deferred income tax and social contribution liabilities recognized mainly on deferred income and foreign exchange variation in Brazil.

The asset balances mainly relate to temporary differences based on the realization of such differences supported by forecasts of future results.

This forecasts include, as basic assumptions, the continuing increase in the order backlog (portfolio of revenues already contracted by the Company and its subsidiaries) in recent years; the gains to be earned from the disposal of assets not pertaining to the engineering and construction activity; the increased investment in Brazil's power and infrastructure sectors; as well as the recognition, for tax purposes, of the operating results of foreign subsidiaries on the applicable balance sheet date. Additionally, the Company, together with its main subsidiary, CBPO, have realized and cumulatively reduced their net balance of deferred income tax and social contribution assets in the past three years.

(d) **Foreign income tax**

In the year ended December 31, 2009, the income tax expense incurred overseas is represented primarily by the taxes generated by operations in Angola R\$ 55,638 - US\$ 31,954 (2008 - R\$ 89,925), Argentina R\$ 67,520 - US\$ 38,778 (2008 - R\$ 65,010), Venezuela US\$ 52,389 - R\$ 91,219 (2008 - R\$ 80,502) and Panama R\$ 23,524 - US\$ 13,510.

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(e) Tax incentive – corporate income tax

The Company, by means of the Constitutive Report No. 0219/2006, of October 9, 2006, issued by the Agência de Desenvolvimento do Nordeste - ADENE of the Ministry of National Integration acquired the right to 75% reduction benefit, up to the base year of 2016 (calendar year of 2015), on the income tax payable on the profits arising from the manufacture and assembly of the pumping modules of sea platforms for oil exploration contracted by Petróleo Brasileiro S.A. - Petrobras. The manufacture and assembly plant is installed at Vila de São Roque de Paraguaçu, in the city of Maragogipe, State of Bahia.

(f) Transitory Tax System

The Transitory Tax System will be effective until such a time as a law that regulates the tax effects of the new accounting methods is enacted, and seeks tax neutrality.

The system is optional for calendar years 2008 and 2009, provided that: (i) it applies to both 2008 and 2009 and not only to one calendar year; and (ii) the option is declared in the Corporate Income Tax return (DIPJ).

The Company and its subsidiaries opted for the adoption of the system in 2008 and 2009. Consequently, for determining income tax and social contribution on net income for the years ended December 31, 2009 and 2008, the Company and its subsidiaries used the prerogatives defined in the Transitory Tax System.

14 Stockholders' Equity

(a) Capital

At December 31, 2009, the Company's capital, subscribed and paid-up entirely by Brazilian individuals and corporations, comprised 163,298,207 (2008 – 163,298,207) common shares and 118,800,974 (2008 – 118,800,974) preferred shares with no par value.

On August 31, 2008, part of the Company's equity amounting to R\$ 3,583 was spun-off with the cancellation of 254,969 common shares and 185,494 preferred shares owned by ODB. This spin-off had three destinations: a portion spun-off amounting to R\$ 1,018 was merged into OPIP, a portion spun-off amounting to R\$ 1,547, was merged into OSEC and a portion spun-off amounting to R\$ 1,018 was merged into OOG (Note 1 (ii)).

On November 30, 2008, the Extraordinary General Meeting approved the merger by the Company at book value of its parent company ODBPAR, with the increase of its capital stock by R\$ 64,861 through the issue of 4,635,564 common shares and 3,371,975 preferred shares (Note 1 (ii)).

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On December 31, 2008, the Extraordinary General Meeting approved the increase of the Company's capital stock in R\$ 151,525 by the stockholder ODB with the issue of 10,816,218 common shares and 7,868,900 subscribed preferred shares with no par value by means of the transfer of 20,685,872 shares of Braskem (Note 1 (ii)).

(b) Share rights

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

On December 31, 2009, interest on capital in the amount of R\$ 58,250 - US\$ 33,454 (2008 - R\$ 254,600), was paid to stockholders, and the amount net of withholding income tax was imputed to the minimum compulsory dividend for 2009, pursuant to the legal provision in paragraph 7 of Article 9 of Law 9,249/95.

For disclosure purposes, the interest on own capital expense was reversed in the statement of income itself under "Financial income (expenses), net", and presented in the statement of changes in stockholders' equity in accordance with the accounting practices adopted in Brazil as a distribution of profit.

The Company's management proposed dividends for the year ended December 31, 2009 in the amount of R\$ 110,000 - US\$ 63,175, which will be paid through the current account between the companies, pursuant to a formal approval of stockholders. This distribution will be submitted for the approval of the Ordinary General Meeting.

The Company's management resolved to distribute dividends and interest on capital at an amount lower than the minimum compulsory dividend for the year ended December 31, 2009, in accordance with the approval of all stockholders in formal letters forwarded to management and to be confirmed at the Ordinary General Meeting to be scheduled until April 30, 2010. The undistributed balance of the minimum compulsory dividend, as well as the remaining portion of retained earnings was appropriated to reserves for investments and future capital increase.

(c) Appropriation of net income

According to the Company's by-laws, appropriations are made to revenue reserves as described below. The utilization of the remaining balance after these appropriations and distribution of dividends will be decided at the Annual Stockholders' Meeting.

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(i) Legal reserve

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

(ii) Reserve for investments (statutory)

This is established through the appropriation of up to 70% of net income for the year, after transfer to the legal reserve, until, together with the legal reserve, it reaches 100% of total capital.

(iii) Revenue reserve - tax incentives

In compliance with Law 11,638/07 and CPC 07 – Government assistance, the amounts related to the tax incentive determined pursuant to Note 13 (e) were accounted for in the statement of income and subsequently allocated to the Revenue reserve - tax incentives. This reserve may only be used for capital increase or possible absorption of losses, as provided for in Article 545 of the Income Tax Regulation. As a result of the changes introduced by Laws 11,638/07 and 11,941/09 and Provisional Measure 449/08, the balance of the tax incentives reserve was reclassified from the capital reserve to revenue reserve.

(iv) Reserve for future capital increase

After the distribution of profits and transfers to the legal and investments (statutory) reserves, management appropriated the balance of net income for the year, of R\$ 275,000 - US\$ 157,937, to a reserve for future capital increase, in compliance with article 199 of Law 11,638/07 which determines that the total of revenue reserves cannot exceed the amount of capital. It is proposed that the reserve can be used to increase capital in order to meet the needs of the expected volume of business and investments in the coming years.

(d) Equity evaluation adjustment account

This account was established by Law 11,638/07 for the purposes of recording in stockholders' equity amounts that have not yet been recorded in net income or loss for the year. The effects of these amounts on net income or loss for the year will be recognized upon their effective realization.

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The changes in this account in the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>		<u>2008</u>
	<u>US\$</u>		<u>R\$</u>
At the beginning of the year	161,729	281,602	
Exchange variation of investments abroad (Note 2.2 (h))	(216,503)	(376,975)	624,511
Realization of exchange variation of investments abroad (*)			(326,812)
Change in the fair value of financial instruments of investee (Note 9 (a) (ii))	3,204	5,579	(16,097)
At the end of the year	<u>(51,570)</u>	<u>(89,794)</u>	<u>281,602</u>

(*) Mainly corresponds to the realization of the cumulative exchange variation due to the capital reduction of the indirect subsidiary TOC on December 15, 2008 (Note 1 (ii)).

15 Financial Results, Net

	<u>2009</u>		<u>2008</u>
	<u>US\$</u>		<u>R\$</u>
Income from financial investments	262,269	456,663	55,010
Exchange variation expense	(160,714)	(279,836)	(835,269)
Exchange variation income	494,931	861,773	341,269
Financial charges on debts	(126,823)	(220,824)	(144,668)
Bank commissions	(37,655)	(65,565)	(45,957)
Other, net (*)	(191,566)	(333,554)	(33,811)
	<u>240,442</u>	<u>418,657</u>	<u>(663,426)</u>

(*) In the year ended December 31, 2009, basically refers to the monetary and exchange variation on trade accounts receivable and other accounts payable.

16 Insurance Coverage

The uniformity in the treatment of risks at the Odebrecht Organization is ensured by its Insurance and Guarantees Policy ("Policy"), which establishes the basic concepts, general guidelines and authority for contracting and administering insurance and guarantees, and for the relationship with the insurance market.

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

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

In the years ended December 31, 2009 and 2008, the Policy was fully complied with. We are not aware of any risk covered by the Policy that has not been duly analyzed and mitigated, or of any loss event that was not properly covered (unaudited).

At December 31, 2009, the insurance coverage of the Company and its subsidiaries amounts to US\$ 35,172,526 - R\$ 61,242,403 (2008 - US\$ 19,749,728). The Company and its subsidiaries have Surety Bond operations, which, on December 31, 2009, amounted to US\$ 7,422,898 - R\$ 12,924,750 (2008 - US\$ 4,908,364).

17 Private Pension Plan

The Company and its subsidiaries have entered into an agreement with ODEPREV - Odebrecht Previdência ("ODEPREV"), a private pension fund established by the parent company ODB, as sponsoring companies. ODEPREV offers its participants a defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts.

In relation to the benefit payments due under the plan, the ODEPREV obligations are limited to the total value of the participants' quotas and, in conformity with the rules of the defined contribution plan, no obligations or responsibilities can be required from the sponsoring companies to guarantee minimum levels of benefits to the retired participants. The contributions of the Company and its subsidiaries for the year ended December 31, 2009 were R\$ 13,961 - US\$ 8,018 (2008 - R\$ 12,211).

As the ODEPREV plan is a defined contribution plan, under which the risk of receiving benefits is the full responsibility of the participants, the Company's management has determined that the provisions of Accounting Standard NPC 26 of the Institute of Independent Auditors of Brazil (IBRACON), "Accounting for Benefits to Employees" are not applicable to such plan.

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18 Long-term Incentives

The benefit plan called “Long-term incentives” is not share-based but rather through this plan employees designated annually by management may acquire securities issued by the Company that are called “Investment unit” in order to strengthen the convergence of interests in the creation of long-term value between the Company’s employees and stockholders, promote the sense of ownership and motivate the vision and commitment of employees with long-term results.

The Investment unit does not make its holder a stockholder of the Company nor does it provide any right or privilege that is inherent to stockholders, particularly voting and other political rights.

The Investment unit is issued annually and its value is restated annually in accordance with the economic value of the Company’s shares.

There are three types of Investment unit:

- unit acquired by the participant, called “Alfa”;
- unit received by the participant as a consideration of the Company, called “Beta”; and
- unit received by the participant as dividends, called “Gama”.

The Investment unit is issued on a personal basis and may only be sold back to the Company by means of redemption in accordance with the following conditions:

- as from August 30, 2011 the buyer may redeem up to 20% of the accumulated balance of investment units; and
- as from the initial redemption, redemption is limited to 10% of the accumulated balance.

At December 31, 2009, the number of investment units is 2,957,660 corresponding to R\$ 78,378 - US\$ 45,014 on that date.

19 Financial Instruments

(a) General considerations

The Company and its subsidiaries participate in transactions involving financial instruments, including financial investments, accounts payable to suppliers and financing.

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The purpose of these transactions carried out by the Company and its subsidiaries is the management of the cash resources of their operations and the hedge against the effects of foreign exchange fluctuations on the exposure in foreign currencies and interest rate fluctuations. These risks are managed through financial market mechanisms that minimize the exposure of the companies' assets and liabilities, protecting the profitability of contracts and the stockholders' equity of the Company and its subsidiaries.

The amounts recorded in current assets and liabilities are highly liquid and most of them mature within three months. Taking into consideration the term and the characteristics of these instruments, that are systematically renegotiated, their book values approximate their fair values.

(b) Credit risk

The sales policy of the Company and its subsidiaries takes into consideration the credit risk level to which the Company is willing to accept in the course of its business. The diversification of receivables, the selectivity of its customers, as well as the monitoring of the financing terms for sales per business segment and individual position limits are procedures adopted in order to minimize possible default problems in accounts receivable.

At December 31, 2009, the Company and its subsidiaries had overdue accounts receivable amounting to R\$ 544,234 - US\$ 312,563 (2008 - R\$ 856,799) for services rendered to government entities. Historically, the Company and its subsidiaries have collected the amounts owed by these entities, including those overdue for one year or more. The collection of these overdue amounts from government entities occurs through payment or the receipt of government bonds or other government assets. As a way of mitigating these risks, the Company and its subsidiaries have applied a greater degree of selectivity when accepting customers, and have increased the sales revenues from private customers or public sector customers which the Company and its subsidiaries consider having the capacity to generate revenues independently and which do not rely on government budgets to pay their liabilities (mainly companies with both government and private stockholders), as well as those with contracts in which payments are financed by export agencies, multilateral agencies, commercial banks, private pension funds and private investors.

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

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(c) Price risk

A significant number of the contracts in which the Company and its subsidiaries are engaged are fixed-price contracts. The actual profit margins on these contracts may differ from the margins estimated at the time the costs were budgeted and the contract price was proposed because of: significant unexpected increases in the costs of equipment, materials or labor, related to inflationary effects or other unexpected events; problems encountered by the customer to obtain the necessary financing of the contract or to obtain Government authorizations or approvals; project changes resulting in unexpected costs; and delays caused by bad weather or the non-performance of subcontractors and/or contracted suppliers.

To minimize the price risk, the budgets of the fixed-price contracts performed by the Company and its subsidiaries are periodically revised to reflect, if necessary, inconsistencies noted between actual and budgeted costs. The Company and its subsidiaries follow a policy of negotiating claims to increase contract prices through contract amendments to recover variations from the contracted price, recorded in the books when the contract amendment is signed.

(d) Market risk

Interest rate risk

The associated risk arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in interest rates that would increase financial expenses related to financing raised in the market.

Foreign exchange rate risk

The associated risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase the amounts of funds raised in the market.

The Company, through its branches, subsidiaries and associated companies, has a significant volume of operations abroad, as described in Note 1, of which part is denominated in U.S. dollars, with little exposure to local currencies, restricted to certain specific countries. In addition, certain loans of the Company and its subsidiaries obtained overseas are denominated in foreign currencies, as mentioned in Note 11, as well as liabilities to suppliers and other balances with related parties, as mentioned in Note 8.

(e) Derivatives

The purpose of the derivative instruments contracted by the Company and its subsidiaries is to hedge their operations against risks of foreign exchange and interest rate fluctuations. They are not used for speculative purposes.

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Notes to the Consolidated Financial Statements at December 31, 2009 and 2008

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

The Company carries out operations involving derivative instruments for the purposes of matching in the same currency the uses and sources of funds in its operations. The currency derivative instruments mature within twelve months and the average maturity term is six months and are only contracted with first-class financial institutions in Brazil and abroad.

The derivative instruments used by the Company and its subsidiaries, in accordance with the terms of the financial policy, are of high liquidity (Plain vanilla), such as NDF - Non Deliverable Forward ("NDF"), options and swaps. The Company and its subsidiaries do not operate with derivative instruments involving unusual risks.

As of December 31, 2009, the derivatives portfolio, which mainly includes hedge transactions against foreign exchange variations and debt swaps, may be summarized as follows:

	R\$		
Operation	Unrealized fair value adjustments (*)	Effect in the result (**)	Settlement value of transactions (***)
NDF - Non Deliverable Forward	20	23,689	(82,143)
Options (collar)		20,253	(6,164)
Swaps	(3,747)	11,761	(4,925)

	US\$		
Operation	Unrealized fair value adjustments (*)	Effect in the result (**)	Settlement value of transactions (***)
NDF - Non Deliverable Forward	11	13,605	(47,176)
Options (collar)		11,632	(3,540)
Swaps	(2,152)	6,755	(2,829)

(*) Corresponds to the effect in the income statement of the fair value measurement of outstanding operations with derivatives on December 31, 2009.

(**) Corresponds to the effect of the realization of the mark-to-market balance (non cash) in the year ended December 31, 2009.

(***) Corresponds to the effect recognized in the income statement with derivative instruments already settled in the year ended December 31, 2009.

Due to the rigorous criteria of diversification and allocation of the Company and its subsidiaries portfolio, the counterparties of the operations with derivative instruments have not required any value in cash, letter of credit, financial applications or any type of margin deposit, to guarantee the unrealized fair value of outstanding operations.

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

**Notes to the Consolidated Financial Statements
at December 31, 2009 and 2008**

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

For the year ended December 31, 2009, the Company prepared a sensitivity analysis of the operations with derivatives, taking into consideration: (i) probable scenario of realization of the instruments at the balance sheet date; (ii) scenario with the deterioration of 25% of the hedge variable considered; and (iii) scenario with deterioration of 50% of the hedge variable considered.

In the probable scenario, there is no variation, as the fair values of the operations outstanding at December 31, 2009 were considered. Thus, in the sensitivity analysis below, the amounts added to the fair values of the derivative instruments are:

						R\$
<u>Operation</u>	<u>Hedge Variable</u>	<u>Unrealized fair value adjustments</u>	<u>Scenario (i)</u>	<u>Scenario (ii)</u>	<u>Scenario (iii)</u>	
NDF - Non Deliverable Forward	US\$	20		(5,064)	(3,329)	
Options (collar)	US\$					
Swaps	US\$	(3,747)		(9,082)	(14,983)	
						US\$
<u>Operation</u>	<u>Hedge Variable</u>	<u>Unrealized fair value adjustments</u>	<u>Scenario (i)</u>	<u>Scenario (ii)</u>	<u>Scenario (iii)</u>	
NDF - Non Deliverable Forward	US\$	11		(2,908)	(1,912)	
Options (collar)	US\$					
Swaps	US\$	(2,152)		(5,216)	(8,605)	

20 Other Income (Expenses), Net

		<u>2009</u>	<u>2008</u>
		<u>US\$</u>	<u>R\$</u>
Provision/write-off SDM projects (Note 1 (i))			(83,171)
Net result of property and equipment disposals	(73,677)	(128,286)	(77,509)
Others	1,740	3,028	(11,047)
	<u>(71,937)</u>	<u>(125,258)</u>	<u>(171,727)</u>

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

**Notes to the Consolidated Financial Statements
at December 31, 2009 and 2008**

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

21 Operating Leases

The future minimum payments of non-cancelable operating leases are as follows:

	US\$	2009	2008
			R\$
Up to one year	4,056	7,062	8,002
Between one and five years	2,832	4,931	12,496
Over five years	1,576	2,744	4,598
	8,464	14,737	25,096

* * * *

Attachment I

Construtora Norberto Odebrecht S.A. and its Subsidiaries

Additional Information (unaudited)

Consolidated Statements of Value Added Years Ended December 31 In thousands of reais and U.S. dollars

	US\$		R\$	
	2009	2009	2008	2008
1. Generation of value added	10,782,534	18,774,547	16,998,736	
1.1 Revenues from construction contracts	10,751,527	18,720,560	16,925,384	
1.2 Other revenues	31,007	53,987	73,352	
2. Inputs acquired from third parties	(6,797,107)	(11,835,122)	(10,876,028)	
2.1 Outsourced services	(4,060,856)	(7,070,762)	(5,327,288)	
2.2 Cost of materials	(2,118,524)	(3,688,774)	(4,358,903)	
2.3 Administrative expenses (materials, energy and other expenses)	(617,727)	(1,075,586)	(1,189,837)	
3. Gross value added	3,985,427	6,939,425	6,122,708	
4. Depreciation and amortization	(360,710)	(628,068)	(464,451)	
5. Net value added generated	3,624,717	6,311,357	5,658,257	
6. Value added from transfers	732,264	1,275,018	97,518	
6.1 Equity in associated companies	99,851	173,861	(250,131)	
6.2 Financial revenues	632,413	1,101,157	347,649	
7. Value added to distribute	4,356,981	7,586,375	5,755,775	
8. Distribution of value added	4,356,981	7,586,375	5,755,775	
8.1 Personnel	2,381,969	4,147,485	3,113,607	
8.1.1 Remuneration	2,238,228	3,897,203	2,906,868	
8.1.2 Benefits	74,368	129,489	102,368	
8.1.3 Payroll charges	69,373	120,793	104,371	
8.2 Taxes and contributions	755,697	1,315,819	653,728	
8.2.1 Federal	645,678	1,124,254	528,844	
8.2.2 State	21,756	37,881	12,399	
8.2.3 Municipal	88,263	153,684	112,485	
8.3 Third parties capital remuneration	653,118	1,137,208	1,409,140	
8.3.1 Interest	391,520	681,714	1,010,428	
8.3.2 Rents	261,598	455,494	398,712	
8.4 Own capital remuneration	566,197	985,863	579,300	
8.4.1 Interest on own capital	33,454	58,250	254,600	
8.4.2 Earnings reinvested	468,508	815,767	334,415	
8.4.3 Minority interest	1,060	1,846	(9,715)	
8.4.4 Dividends	63,175	110,000		

Report of independent auditors

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

- 1 We have audited the accompanying consolidated balance sheets of Construtora Norberto Odebrecht S.A. and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, of cash flows and of changes in stockholders' equity of Construtora Norberto Odebrecht S.A. (Parent Company) for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.
- 2 We conducted our audits in accordance with approved Brazilian auditing standards, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the companies, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements, and (c) assessing the accounting practices used and significant estimates made by management of the companies, as well as the overall financial statement presentation.
- 3 In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of Construtora Norberto Odebrecht S.A. and its subsidiaries at December 31, 2008 and 2007, the consolidated results of operations and cash flows, as well as the changes in stockholders' equity of Construtora Norberto Odebrecht S.A. for the years then ended, in accordance with accounting practices adopted in Brazil.
- 4 As mentioned in Note 2.1 to the financial statements, in connection with the changes in the accounting practices adopted in Brazil during 2008, the financial statements for the previous year, presented for comparison purposes, were adjusted and have been restated as set forth in Accounting Standards and Procedures (NPC) No. 12 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

Construtora Norberto Odebrecht S.A.

- 5 The Company and its subsidiaries are an integral part of the group of companies that comprises the Odebrecht Organization and carry out material financial and commercial transactions with their parent company and other companies of the Odebrecht Organization, under the conditions described in Note 8 to the financial statements. In addition, the Company and certain subsidiaries continue to be involved in the optimization of their corporate structure, as described in Notes 1 (ii) and 14 to the financial statements.
- 6 The amounts expressed in U.S. dollars, included in the financial statements at December 31, 2008, are presented solely for the convenience of the reader, and were translated at the exchange rate effective as of December 31, 2008, on the basis described in Note 2.2 (r). This translation should not be construed as representing that the amounts in reais actually represent or have been, or could be, converted into U.S. dollars or any other currency.

Salvador, March 12, 2009

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

Felipe Edmond Ayoub
Contador CRC 1SP187402/O-4 "S" RJ

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

**Consolidated statements of income
Years ended December 31
In thousands of reais and U.S. dollars**

	2008		2007
	US\$		(Restated) R\$
Gross service revenues			
Domestic market	1,714,866	4,007,642	2,704,992
Foreign market	5,527,489	12,917,742	6,063,767
	7,242,355	16,925,384	8,768,759
Taxes and contributions on services	(150,109)	(350,804)	(205,240)
Net service revenues	7,092,246	16,574,580	8,563,519
Cost of services rendered	(5,931,611)	(13,862,174)	(7,206,900)
Gross profit	1,160,635	2,712,406	1,356,619
Operating expenses			
General and administrative expenses	(363,683)	(849,927)	(680,772)
Directors' remuneration expenses (Note 8 (ii))	(5,745)	(13,426)	(12,528)
Operating profit before the equity interests and financial results	791,207	1,849,053	663,319
Results from investments in associated companies			
Equity in the results (Note 9)	(125,416)	(293,098)	8,088
Provision for losses on investments	(996)	(2,328)	(750)
Amortization of goodwill	(1,084)	(2,533)	(1,053)
Dividends received	2,248	5,253	
Other equity results	18,218	42,575	
Financial result, net			
Net financial result (Note 15)	(283,879)	(663,426)	104,555
Operating profit before other income (expenses), net	400,298	935,496	774,159
Other income (expenses), net (Note 19)	(100,485)	(234,834)	25,181
Income before social contribution, income tax, management profit sharing and minority interest	299,813	700,662	799,340
Social contribution (Note 13 (a))	17,038	39,818	(58,431)
Income tax (Note 13 (a))	(63,620)	(148,680)	(266,173)
Income before the management profit sharing and minority interest	253,231	591,800	474,736
Management profit sharing (Note 8 (ii))	(5,349)	(12,500)	(12,500)
Minority interest	4,157	9,715	(27,980)
Net income for the year	252,039	589,015	434,256

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

Construtora Norberto Odebrecht S.A.

Statement of changes in stockholders' equity In thousands of reais, unless otherwise indicated

	Capital reserve		Revenue reserves			Equity evaluation adjustment	Accumulated losses	Total
	Capital	Tax incentives	Legal	Tax incentives	Investments (statutory)			
At December 31, 2006	1,313,405	11,388	85,155		52,999			1,462,947
Initial adjustments of Law nº 11.638/07 and MP nº 449/08 (Note 14 (c) (iii))		(11,388)		11,388				
Adjusted balances at December 31, 2006	1,313,405		85,155	11,388	52,999			1,462,947
Capital increase (Note 14 (a))	103							103
Partial spin-off (Note 14 (a))	(147,936)							(147,936)
Extraordinary dividends - R\$ 0.207 per share (Note 14 (b))					(52,999)			(52,999)
Net income for the year - R\$ 1.697 per share						434,256		434,256
Appropriation:								
Interest on own capital - R\$ 0.059 per share (Note 14 (b))						(15,000)		(15,000)
Constitution of capital reserve (Note 14 (c) (iii))			22,491	4,018	412,328	(4,018)		(434,819)
Transfer to reserves								
At December 31, 2007 (Restated)	1,165,572		107,646	15,406	412,328		(19,581)	1,681,371
Partial spin-off (Note 14 (a))	(3,583)							(3,583)
ODBPAR merger (Note 14 (a))	64,861							64,861
Capital increase (Note 14 (a))	151,525							151,525
Equity evaluation adjustment (Note 14 (d))						281,602		281,602
Net income for the year - R\$ 2.088 per share							589,015	589,015
Appropriation:								
Interest on own capital - R\$ 0.903 per share (Note 14 (b))						(254,600)		(254,600)
Transfer to reserves			29,451		285,383	(314,834)		(254,600)
At December 31, 2008	1,378,375		137,097	15,406	697,711	281,602		2,510,191

Construtora Norberto Odebrecht S.A.

Statement of changes in stockholders' equity In thousands of U.S dollars, unless otherwise indicated

(continued)

	Revenue reserves					Equity evaluation adjustment	Accumulated losses	Total
	Capital	Legal	Tax incentives	Investments (statutory)				
At December 31, 2007 (Restated)	498,747	46,062	6,592	176,435			(8,379)	719,457
Partial spin-off (Note 14 (a))	(1,533)							(1,533)
ODBPAR merger (Note 14 (a))	27,754							27,754
Capital increase (Note 14 (a))	64,837							64,837
Equity evaluation adjustment (Note 14 (d))					120,497			120,497
Net income for the year - R\$ 2.088 per share							252,039	252,039
Apropriation:								
Interest on own capital - R\$ 0.903 per share (Note 14 (b))		12,602			122,115		(108,943)	(108,943)
Transfer to reserves							(134,717)	
At December 31, 2008	589,805	58,664	6,592	298,550	120,497			1,074,108

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

Construtora Norberto Odebrecht S.A. and its subsidiaries

Consolidated statements of cash flows Years ended December 31 In thousands of reais and U.S. dollars

	2008		2007	
	US\$			R\$
Cash flows from operating activities				
Net income for the period	252,039	589,015		434,256
Adjustments:				
Income tax and social contribution	46,582	108,862		324,604
Investments in associated companies:				
Equity in the results of associated companies	104,950	245,270		(8,088)
Provision for losses on investments	996	2,328		750
Amortization of goodwill	1,084	2,533		1,053
Decrease (increase) of construction contracts revenue - POC method	44,956	105,062		269,822
Depreciation and amortization	198,738	464,451		217,511
Loss on interest in investment	27,003	63,107		52,801
Residual value of property and equipment and project costs disposals	68,755	160,680		45,827
Interest and monetary and exchange variation, net	482,804	1,128,310		(134,193)
Minority interest	(4,157)	(9,715)		27,980
Net cash used in operating activities before changes in operating assets and liabilities	1,223,750	2,859,903		1,232,323
Changes in assets and liabilities				
Financial investments	40,083	93,674		(37,328)
Accounts receivable	(524,113)	(1,224,853)		(397,599)
Inventories	(435,910)	(1,018,722)		(415,128)
Taxes recoverable	(78,408)	(183,239)		(47,669)
Advances to suppliers, subcontractors and others	11,963	27,957		(324,999)
Prepaid expenses	(51,413)	(120,153)		(68,500)
Other assets	(35,294)	(82,482)		(302,534)
Suppliers and subcontractors	370,603	866,099		380,495
Advances from customers	158,724	370,939		820,968
Taxes, rates, salaries and payroll charges	72,263	168,878		(103,621)
Other liabilities	214,435	501,134		148,375
Net cash obtained from operating activities	966,683	2,259,135		884,783
Cash flow from investing activities				
Additions to Investments	(65,864)	(153,924)		(315,674)
Additions to property and equipment and intangible	(450,877)	(1,053,699)		(874,586)
Additions to deferred charges	(34,198)	(79,920)		(89,612)
Long-term marketable securities and investments and properties for sale	(2,774)	(6,482)		(13,559)
Net cash used for investing activities	(553,713)	(1,294,025)		(1,293,431)
Cash flow from financing activities				
Related parties				
Repayment	(597,077)	(1,395,369)		(743,636)
Funds obtained	228,234	533,383		1,060,551
Short-term and long-term debt, net				
Funds obtained	965,036	2,255,289		655,822
Repayment - principal	(679,249)	(1,587,405)		(541,656)
Repayment - interest	(58,732)	(137,256)		(85,895)
Net cash from (used in) financing activities	(141,788)	(331,358)		345,186
Effect of exchange rate changes on cash and cash equivalents	222,353	519,639		(112,658)
Cash and cash equivalents from companies included and/or excluded from consolidation	2	6		(1,063)
Net increase (decrease) in cash and cash equivalents	493,537	1,153,397		(177,183)
Cash and cash equivalents at the beginning of the year	477,950	1,116,968		1,294,151
Cash and cash equivalents at the end of the year	971,487	2,270,365		1,116,968

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

Construtora Norberto Odebrecht S.A. and its subsidiaries

Notes to the consolidated financial statements at December 31, 2008 and 2007

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

1 Operations

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

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

In the heavy civil construction segment, the Company and its main indirect subsidiary company in Brazil, CBPO Engenharia Ltda. ("CBPO"), develop construction projects involving highways, railways, nuclear, hydroelectric and thermoelectric plants, port installations, dams, and other industrial and infrastructure projects.

The main projects currently in progress in Brazil are: Santo Antônio hydroelectric plant, Gasduc pipeline, P59 and P60 Platforms, São Salvador hydroelectric plant, Line 4 of the São Paulo subway, Ipanema subway in Rio de Janeiro, *Programa Luz para Todos* (Electricity for All Program) in Minas Gerais, Suape V Pier in Pernambuco, and several contracts to render services in petroleum platforms and petrochemical plants. The main overseas projects are located in Venezuela (lines 3, 4 and 5 of the Caracas subway, Caracas Guarenas Guatire subway and Metrocable San Augustin, lines 1 and 2 of Los Teques subway, Maracaibo Plain Socialist Agrarian Project, bridge over the Orinoco River and OIV Tocoma hydroelectric plant), in the United States of America (Miami Airport North Terminal), in the Dominican Republic (Samana sanitation project, and Pinalito and Palomino hydroelectric plants), in Angola (highway works, sanitation projects, urbanization, real estate developments and several infrastructure projects), in Libya (Tripoli airport and ring road), in Panama (highway work, a landfill project, an irrigation project and a hydroelectric plant), in Peru (highway works, an irrigation project, sanitation work and a project of two ports), in Liberia (railroad works), in Argentina (expansion of a pipeline) and in Mozambique (infrastructure work for mining).

Construtora Norberto Odebrecht S.A. and its subsidiaries

Notes to the consolidated financial statements at December 31, 2008 and 2007

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

In the process of obtaining and performing contracts in Brazil and overseas, the Company and its subsidiaries use surety bond obtained with the support of OCS – Odebrecht Administradora e Corretora de Seguros Ltda. (“OCS”), which is part of the Odebrecht Organization, by means of long-term strategic alliances with first-class insurance companies and brokerages in the global insurance market (Note 16).

(i) Participation in the diamond sector

Through its subsidiaries, the Company also conducts mineral prospecting and exploration. Its wholly-owned indirect subsidiary Odebrecht Mining Services, Inc. (“OMSI”) holds 16.4% of Sociedade Mineira de Catoca, Limitada (“Catoca”), which conducts prospecting, recognition, exploration, treatment and sale of diamonds and other minerals in the Catoca Project in the Lunda Sul Province of Angola, having a concession from the Angolan Government to exploit diamonds mined from the kimberlite area, and also holds 50% of Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L. (“SDM”), which conducts prospecting, exploration and sale of diamonds extracted in a concession area granted by the Angolan Government in the Hydrographic Basin of the Cuango River (Angola). Currently, Catoca is investing in two new concession areas, Luemba and Lapi (Note 2.3 (iv)).

SDM, together with its controlling company, OMSI, maintains a contract for the concession of exploration of diamonds to be extracted from “kimberlitos” on Muanga’s region. Considering the investments in that concession and the probabilities of the project, based on a technical report issued by specialists, management of the Company recorded during the year ended December 31, 2008 an impairment loss related to the costs capitalized, in the proportion of its participation in the investments (Note 19). On December 31, 2008, the indirect participation of the Company in SDM’s equity amounts to R\$ 54,408 (2007 - R\$ 47,030).

(ii) Optimization of the corporate structure

Following the corporate restructuring process started in 2004 for the optimization of the Odebrecht Organization structure, the concentration of the current accounts in the Company as the manager of the current account agreement and central management of the cash balances maintained by the companies in the Organization, and the corporate segregation of the engineering and construction segments, real estate projects, environmental engineering, construction and assembly of industrial plants and investments in infrastructure and oil and gas, the following main activities were performed in 2007 and 2008:

- On July 3, 2007, the Extraordinary General Meeting approved the partial spin-off of Odebrecht S.A. (“ODB”) shareholders' equity followed by the merger of the portion spun-off by the Company, with the consequential increase of its capital stock by R\$ 103 upon the issue of 10,555 common shares and 7,679 preferred shares.

Construtora Norberto Odebrecht S.A. and its subsidiaries

Notes to the consolidated financial statements at December 31, 2008 and 2007

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

In accordance with an appraisal report on the accounting net assets of ODB, issued by independent experts on July 3, 2007, the spun-off net assets are represented by: (i) 59,185 convertible debentures, with no guarantee, issued by Braskem S.A. ("Braskem"), single series of the 1st issue, fully subscribed by ODB, amounting to R\$ 1,195,577; (ii) obligations with BNDES Participações S.A. - BNDESPAR ("BNDESPAR") and the National Bank for Economic and Social Development ("BNDES"), related to 60,574 non-convertible debentures issued by ODB, with secured and unsecured guarantee, in two series, the first being a simple one and the second, subject to an exchange clause amounting to R\$ 412,951 and R\$ 249,266, respectively; and (iii) a portion of the intercompany payables of ODB with its subsidiary Odebrecht Participações S.A. ("ODBPAR") amounting to R\$ 533,257.

According to terms of the "Protocol and Justification of the Spin-Off of ODB", the main objectives of this transaction are: (a) reallocation of assets and liabilities, with the reduction of the intercompany account balance between ODBPAR, a wholly-owned subsidiary of ODB, and the Company, presented in its consolidated financial statements in order to comply with levels that are historically accepted by the Company's creditors; and (b) reduction of the level of exposure of the Company's assets in transactions with related parties. High exposure to related party transactions is not seen as positive by the Company's creditors and the international financial markets.

Subsequently, on July 31, 2007, the Company exercised the option to convert the debentures received as a result of the abovementioned spin-off into shares issued by Braskem, becoming the holder of 25,832,198 common shares and 51,664,397 preferred shares of this subsidiary of ODB, amounting to R\$ 1,079,657. In this conversion, goodwill of R\$ 33,861, based on expected future profitability, was generated and is being amortized over a period of 10 years (Note 2.2 (g)). On July 31, 2007, the Company settled its obligations with BNDESPAR and BNDES arising from the issue of debentures by ODB. For the payment of the 2nd series, R\$ 228,169 was paid upon the delivery of 19,669,795 preferred shares of Braskem. As this delivery was based on the strike price determined upon the issue of these debentures by ODB, a loss in the amount of R\$ 54,458 was recognized in relation to the equity value of these shares, recorded under the "other income (expenses), net" account for 2007.

- The Extraordinary General Meeting held on December 12, 2007 approved the capital reduction of Centaurus Participações S.A. ("Centaurus"), through the return to the Company of the shares of Belgrávia Empreendimentos Imobiliários S.A. ("Belgrávia"), recorded at book value on December 12, 2007, in the amount of R\$ 1,064.
- On the same date, Belgrávia sold its investment in Odebrecht Engenharia e Construção S.A. ("OEC") to the Company, at book value of R\$ 29,562, on November 30, 2007.

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- On December 31, 2007, the partial spin-off of Centaurus' equity, in the amount of R\$ 155,000 as of December 31, 2007, was carried out. The portion spun-off represented by the current account existing between ODBPAR and Centaurus was merged into OEC, generating an increase in its capital by the same amount.

According to the "Protocol and Justification" the main objectives of the partial spin-off of Centaurus are: (a) reallocation of certain assets of Centaurus that make up its spun-off assets and that are no longer necessary for achieving its purpose; and (b) maintenance at Centaurus, assets that are exclusively represented by investments in other companies located overseas and related liabilities, adjusting its corporate structure to its new activity as a holding company of investments that are exclusively located overseas.

- On November 30, 2008, the Extraordinary General Meeting approved the merger at book value of its parent company ODBPAR into the Company, with the increase of its capital stock by R\$ 64,861 - US\$ 27,754 upon the issue of 4,635,564 common shares and 3,371,975 preferred shares.
- On December 15, 2008, Belgrávia reduced the capital of its indirect subsidiary Tenenge Overseas Corporation ("TOC") by the amount of US\$ 550,932 - R\$ 1,305,158, with the settlement of a portion of the existing current account between the companies.
- On December 31, 2008, the stockholder ODB approved, in the Extraordinary General Meeting, the increase of the Company's capital stock by R\$ 151,525 - US\$ 64,837 upon the issue of 10,816,218 common shares and 7,868,900 subscribed preferred shares with no par value upon the transfer of 20,685,872 preferred shares of Braskem, according to the book value on November, 30, 2008 (Note 9 (a) (ii) (b)).

The Company and its subsidiaries, as participants in the corporate restructuring process, may be affected by economic and/or corporate aspects as a result of the outcome of this process.

Segregation of the real estate projects and oil and gas business from the engineering and construction segment

- On September 13, 2007, CBPO Overseas Ltd. ("CBPO Overseas") sold to the Company its investment in Odebrecht Oil Services Ltd. ("OOSL") at book value on August 31, 2007, amounting to R\$ 4,752.
- On October 29, 2007, Belgrávia sold to ODB, the Company's controlling shareholder, its investment in Odebrecht Empreendimentos Imobiliários Ltda. ("OEI") at book value.

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- On October 31, 2007, the partial spin-off of the Company's equity in the amount of R\$ 147,936 on base-date October 31, 2007 was carried out. This spin-off was allocated as follows: part of the spun-off portion amounting to R\$ 141,014 was merged into OEI, generating an increase in its capital by the same amount, and another part, amounting to R\$ 6,922, was merged into Odebrecht Óleo e Gás Ltda. ("OOG"), a company of the Odebrecht Organization and subsidiary of ODB. The portion merged into OEI contemplates assets and liabilities related to the segment of real estate and the portion merged into OOG contemplates assets and liabilities related to the oil and gas segment, including the investment in OOSL. These transactions result from the Company's strategy to segregate the businesses that are not related to heavy construction. The net assets spun-off by CNO were:

	<u>OEI</u>	<u>OOG</u>
	<u>R\$</u>	<u>R\$</u>
Current assets	199,614	303
Non current assets	116	
Permanent assets	37,323	6,807
Current liabilities	88,580	188
Non current liabilities	7,459	
Net assets spun-off	141,014	6,922

- On December 17, 2007, Belgrávia sold to the Company 99.99% of its investment in Lumina Engenharia Ambiental Ltda. ("Lumina") at book value on November 30, 2007, in the amount of R\$ 116,196. On September 23, 2008, the Company sold this investment to Odebrecht Engenharia Ambiental S.A. ("OEA"), at book value, in the amount of R\$ 124,703, in connection with the corporate segregation of the businesses mentioned above. On December 31, 2007, the remaining balance of the investment in Lumina was classified under noncurrent assets in the investment for sale account.
- On December 31, 2007, Tenenge UK Limited ("TUK"), an indirect subsidiary of the Company, sold its investment at market value, as required by the law of the country, in the joint venture North Sea Production Company ("NSPC") to OOSL, a subsidiary of OOG, for US\$ 87,039 (R\$ 154,172). From this transaction, a profit of R\$ 139,733 was recorded under the "other income (expenses), net" account for 2007.

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- On August 31, 2008, the Extraordinary General Meeting approved the partial spin-off of the Company's equity in the amount of R\$ 3,583 - US\$ 1,533, with the cancellation of 254,969 common shares and 185,494 preferred shares held by ODB. This spun-off had three destinations: a portion spun-off amounting to R\$ 1,018 - US\$ 436, was merged into Odebrecht Plantas Industriais e Participações S.A. ("OPIP"), a portion spun-off amounting to R\$ 1,547 - US\$ 661, was merged into Odebrecht Serviços de Engenharia e Construção S.A. ("OSEC") and the remaining portion spun-off amounting to R\$ 1,018 - US\$ 436 was merged into OOG (Note 14 (a)).

In the same date, in a board of Director's meeting, the partial spin-off of the CBPO's equity was approved in the amount of R\$ 2,011 - US\$ 861, with the cancellation of 5,966 common quotas owned by Belgrávia. This spin-off had two destinations: a portion spun-off amounting to R\$ 1,003 - US\$ 429, was merged into OPIP and a portion spun-off amounting to R\$ 1,008 - US\$ 431, was merged into OSEC.

(iii) Equalization of financial position

The improvement in the Brazilian economic scenario and consequent decrease in the risks associated with operating in the country Brazil allowed the Company to obtain long-term debt in the international financial market at interest rates significantly lower than those previously applied. Within this context, in 2004 and 2005, the Company's indirect subsidiary Odebrecht Overseas Limited ("OOL") obtained various long-term loans, including the 2005 Perpetual Bonds (see Note 11 (i) (a) (1)), which permitted the settlement or prepayment of short-term, higher cost financing, as well as the development of a substantial reserve of funds.

In 2007 and 2008, the subsidiary of ODB, Odebrecht Finance Ltd. ("OFL"), issued two "Bonds" valued at US\$ 200,000 each (Note 11 (i) (e) and (f)). With the addition of funds arising from significant receipts of advances from customers and invoices in 2008, these represent the balance of cash and cash equivalents and financial investments at the end of 2008.

In June 2006, Standard & Poor's ("S&P") upgraded the Company's corporate credit rating in the Brazilian National Scale from "BrA-" to "BrA", keeping the positive outlook. In November 2006, S&P once again upgraded this rating from "BrA" to "BrA+", keeping the positive outlook. In June 2007, S&P reaffirmed the Company's "BB-" corporate credit rating as in the Global Scale (in local and foreign currency) and changed the rating outlook from stable to positive.

On July 23, 2007, Fitch Ratings ("Fitch") assigned to the Company a "BB+" long-term foreign and local currency issuer default rating and "AA (BrA)" long-term national rating. In both cases, the outlook on the ratings is stable.

In October 2007, S&P upgraded the Company's corporate credit rating in the Global Scale (in local and foreign currency) from "BB-"/Positive to "BB"/Stable and in the Brazilian National Scale from "BrA+"/Positive to "BrAA-"/Stable.

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All ratings were reaffirmed in November and December 2008, respectively, by Fitch and S&P, and their outlooks remained unchanged.

2 Financial statements presentation and significant accounting practices

2.1 Presentation of the consolidated financial statements

These financial statements were approved by the Company's management on March 12, 2009.

The financial statements of the Company and its subsidiaries were prepared and are presented in accordance with the accounting practices adopted in Brazil based on the requirements of Brazilian corporate law and specific standards issued by Brazilian Securities Commission (the "CVM").

In the preparation of the consolidated financial statements, it is necessary to utilize estimates to record certain assets, liabilities and other transactions. Therefore, these financial statements include various estimates relating to the selection of the useful lives of property and equipment, measurement of services earned under long-term contracts, provisions for contingent liabilities, determination of provisions for income tax and other matters. Although these estimates have been made with the highest accuracy possible, they may not materialize.

Changes in Brazilian Corporate Law

On December 28, 2007 and December 4, 2008, respectively, Law n°. 11,638/07 and Provisional Measure ("MP") n°. 449 were enacted amending and introducing new provisions to Law n°. 6,404 (Brazilian Corporate Law). The main objective of the Law and MP was to update Brazilian corporate legislation to allow for the accounting practices adopted in Brazil to converge with those of the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB). The application of the Law and MP is mandatory for annual financial statements for years beginning on or after January 1, 2008.

According to the Law, the Accounting Pronouncement Committee (Comitê de Pronunciamentos Contábeis (CPC), an independent, not for profit organization represented by listed companies, investors, analysts, the accounting profession, auditors and the academy, and observed by the financial markets regulators (CVM, Brazilian Central Bank, etc) will be responsible to develop the Accounting Pronouncements (CPCs) that would in the future bring convergence with IFRS.

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The main effects of the changes in Brazilian Corporate Law on the Company's consolidated financial statements were as follows:

- (a) Derivative financial instruments: As required by CPC 14, the investees OOL and Olex Importação e Exportação S.A. ("Olex") started to recognize their derivative financial instruments at fair value, recognizing a loss for the year ended December 31, 2008 in the amount of R\$ 189,661 - US\$ 81,156 (2007 - loss of R\$ 9,092), registered in the "Financial result, net" account in the statement of income. Under the accounting standard previously applicable, derivative financial statements were not required to be fair valued.
- (b) Financial lease: Equipment acquired under financial lease were recorded as property and equipment and the related debt balance was recorded as a finance liability, as required by CPC 06, in the "Debts" account. The effect on the net income for the year ended December 31, 2008 was R\$ 174 - US\$ 74. Under the accounting standard previously applicable all lease agreements were accounted for as operating lease with lease payments recorded as expense in the statement of income.
- (c) Foreign investments: In accordance with CPC 02 - Effects of Changes in Foreign Exchange Rates and Translation of the Financial Statements ("CPC 02"), exchange variation gains and losses arising from the conversion of the financial statements of foreign investees to Brazilian reais started, as from January 1, 2008, to be recorded in the "Equity evaluation adjustment" account in stockholders' equity and totaled R\$ 297,699 - US\$ 127,385 for the year ended December 31, 2008, net of the realization of part of this exchange variation (Note 14 (d)). Under the accounting standard previously applicable, these variations used to be recorded in the statement of income.
- (d) As required by CPC 07, tax incentives related to 2007 were recorded in the statement of income. Under the accounting standard previously applicable, these transactions used to be recognized directly in the capital reserve account in stockholders' equity. These amounts received totaled R\$ 4,018 for the year ended December 31, 2007. Upon the appropriation of profit, these tax incentives are allocated to the "Revenue reserves – tax incentives", in stockholders' equity (Note 14 (c) (iii)).
- (e) Reclassifications: expenses included in assets and recorded in property and equipment that are related to intangible rights, as well as goodwill from future profitability recorded in the investment, were reclassified to intangible assets.

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Restatement

As allowed by CPC 13 - Initial adoption of Law n°. 11,638/07, management of the Company and its subsidiaries chose to adopt January 1, 2006 as the transition date for the application of the provisions introduced by the Law and MP, restating comparative figures adjusted pursuant to Accounting Standard and Procedure (NPC) n° 12 – Accounting Practices, Changes in Estimates and Correction of Errors. The effects of the above mentioned changes in accounting practices that affected stockholders' equity as of December 31, 2007 and net income for 2007 are shown below:

	<u>Stockholders' equity</u>	<u>Net income</u>
Amounts originally presented	1,700,952	449,819
- Fair value adjustment on derivative financial instruments	(9,092)	(9,092)
- Effect of the adoption of aforementioned Law and MP in investee (*)	(10,489)	(10,489)
- Tax incentives		4,018
	<u>1,681,371</u>	<u>434,256</u>
Amounts restated in conformity with the Law and MP		

(*) Equity over the effects of the initial adoption of the Law and MP in the investee Braskem.

2.2 Description of the significant accounting practices adopted

The significant accounting practices adopted in the preparation of these consolidated financial statements are described below:

(a) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other highly liquid short-term investments subject to insignificant risk of change in value.

(b) Financial instruments

(i) Classification and measurement

The Company classifies its financial assets in the following categories: measured at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at the initial recognition.

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Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are the financial assets held for active and frequent trading. Derivatives are also classified as held for trading, unless they have been designated as hedge instruments. The assets in this category are classified as current assets. Gains or losses arising from changes in the fair value of financial assets measured at fair value through profit or loss are presented in the statement of income in the "Financial result, net" account in the period they are accrued or incurred, unless the instrument has been contracted in connection with another operation. In this case, the changes are recognized in the same income (loss) account affected by said operation.

Loans and receivables

This category includes the loans granted and receivables that are non-derivative financial assets with fixed or determinable payments, not quoted in an active market. They are classified as current assets, except for those falling due more than 12 months after the balance sheet date (these are classified as noncurrent assets). The Company's loans and receivables include loans to entities of Odebrecht Organization, trade accounts receivable, other accounts receivable and cash and cash equivalents, and exclude short-term investments. Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Held to maturity assets

These are financial assets quoted in an active market and acquired with the intention to be kept until the maturity date. These are stated at cost of acquisition, plus earnings accrued, against the statement of income, using the effective interest rate method.

Available for sale financial assets

The available for sale financial assets are non-derivatives that are included in this category or that are not classified in any other category. They are included in noncurrent assets, unless management intends to dispose of the investment within twelve months after the balance sheet date. The available-for-sale financial assets are accounted for at fair value. The interest on available-for-sale securities, which is calculated using the effective interest rate method, is recognized in the statement of income as financial income. The portion related to the change in fair value is recorded against quotaholders' equity in the "Equity evaluation adjustment" account and transferred to the statement of income upon settlement or impairment loss.

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Fair value

The fair values of the investments that are publicly quoted are based on current purchase prices. For the financial assets that do not have an active market or that are not publicly quoted, the Company determines fair value by means of valuation techniques. These techniques include the use of recent arm's length market transactions, the reference to other instruments that are substantially the same, the discounted cash flow analysis and option pricing models that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

At the balance sheet date, the Company evaluates whether there is objective evidence that a financial asset or a group of financial assets is recorded at an amount that exceeds its recoverable amount (*impairment*). If there is any evidence for the available for sale financial assets, the cumulative loss – measured as the difference between the cost of acquisition and the current fair value, less any impairment loss on this financial asset that was previously recognized in income or loss – is written off from quotaholders' equity and recognized in the statement of income. In the year ended December 31, 2008, the Company did not identify financial assets with recoverable amount lower than their carrying values.

(ii) Derivative instruments and hedge activities

Initially, derivatives are recognized at fair value, on the date when the contract is entered into. They are subsequently remeasured at their fair value with the changes in fair value recorded in the statement of income.

Although the Company uses derivatives for the purposes of protection, hedge accounting is not applied. The fair value of financial instruments is disclosed in Note 18 (i).

(c) Trade accounts receivable

Originally, trade accounts receivable are stated at fair value. Accounts receivable balances are reduced by an allowance for doubtful accounts established at an amount considered sufficient by management after analyzing the operations and taking into consideration the economic scenario of the countries in which it operates, past experience, specific portfolio risks and negotiations in progress, as well as administrative or judicial collection proceedings. The amount of the allowance is the difference between book value and realizable value.

(d) Inventories

Inventories of parts and materials to be used in construction works and for sale are stated at average purchase cost, which is lower than replacement costs or realizable values. Imports in transit are stated at the cost accumulated in each import.

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(e) Income tax and social contribution

Deferred income tax and social contribution are calculated on tax losses carryforwards and temporary differences between the tax bases of assets and liabilities and book values in the financial statements. The rates of these taxes, currently established for determining deferred assets and liabilities, are 25% for income tax and 9% for social contribution (Note 13 (b)).

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available for use to offset temporary differences and/or tax losses, based on projections of future results prepared and based on internal assumptions and future economic scenarios that may, therefore, not materialize.

(f) Judicial deposits

Balances are updated based on the appropriate official indices, and presented as a deduction of the corresponding liability.

(g) Investments in subsidiaries and associates

Cost and/or equity value

Associates are investees on which the Company has a significant influence on management. Significant influence is presumed when the ownership interest directly or indirectly represents twenty percent (20%) or more of the investee's voting capital. Associates are recorded at the equity method of accounting.

In accordance with CPC 02, exchange variation gains and losses arising from the conversion of the financial statements of foreign investees to Brazilian reais started, as of January 1, 2008, to be recorded in the "Equity evaluation adjustment" account in stockholders' equity. Such gains and losses are transferred to the statement of income upon realization of the respective investment.

For the purposes of calculating equity in earnings of associates and subsidiaries, intercompany gains or transactions are eliminated in proportion to the Company's interest. Unrealized losses are also eliminated, unless the transaction presents evidence of permanent loss (impairment) of the transferred asset. When necessary, the accounting practices of subsidiaries and associates are changed to ensure consistency with the accounting practices adopted by the Company.

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Goodwill/negative goodwill

The goodwill or negative goodwill determined upon the acquisition of an investment is calculated as the difference between the purchase price and the book value of the net equity of the company acquired. The Company's investments in associates include goodwill paid (net of accumulated amortization recognized until December 31, 2008) upon their acquisition and supported on expectations of future results. Goodwill is amortized over the term and in the proportion of such projected results, in a period that does not exceed ten years. Goodwill was reclassified to intangible assets as a result of the changes introduced by Law n°. 11,638 and MP n°. 449/08. Negative goodwill is amortized upon the disposal of the investment.

(h) Translation of foreign currency

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Brazilian Reais, which is the Company's functional and the group's presentation currency under CPC 02.

The transactions in foreign currency are translated into Brazilian reais using the exchange rates prevailing on the date of the transactions. Balance sheet accounts are translated at the exchange rate prevailing on the balance sheet date. Exchange gains and losses resulting from the settlement of these transactions and translation of monetary assets and liabilities denominated in foreign currency are recognized in the statement of income. The financial statements of the Company's foreign investees are translated in accordance with the guidelines contained in the pronouncement CPC 02. The effects of the exchange variation arising from this translation are recorded in the Company's stockholders' equity in the "Equity evaluation adjustment" account, which are only recognized in net income or loss upon their effective realization.

(i) Property and equipment

Property and equipment comprise, mainly, machinery and equipment used in civil construction contracts and are depreciated on the straight-line basis at the annual rates mentioned in Note 10, which take into consideration the economic useful lives of the assets. Land is not depreciated.

Gains and losses on disposals are determined by comparing the disposal amounts with book values and are recognized as "other income (expenses), net" (Note 19).

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Repair and maintenance costs are allocated to income or loss over the period they are incurred. The cost of the main renovations of fixed assets is added to the book value of the asset when it is likely that the future economic benefits that exceed the initially estimated performance standard for the existing asset will flow to the Company and its subsidiaries. The main renovations are depreciated over the remaining useful life of the related asset.

(j) Intangible

These are represented by acquired licenses of computer programs that are capitalized and amortized over their estimated useful life, as well as goodwill from future profitability that was originally recorded in the investment (Note 2.2 (g)).

Costs associated with maintenance of software are recognized as expenses as they are incurred. Costs directly related to identifiable and exclusive software, controlled by the Company and that will probably generate higher economic benefits than their costs for longer than a year are recognized as intangible assets. Direct costs include compensation of the employees of the software development team and portion of the related general expenses. Costs with development of software recognized as assets are amortized on the straight-line basis over their useful lives up to ten years.

(k) Deferred charges

Deferred charges are comprised mainly of pre-operating and reorganization expenses that are amortized over a maximum period of ten years. As allowed by the MP n°. 449/08, the balance of deferred charges existing as of December 31, 2008 was kept until fully amortization based on original estimates of the future economic benefits arising from the corresponding expenses, subject to annual recovery analysis Note 2.2 (l). As from that date, pre-operating and reorganization expenses will no longer be capitalized by the Company.

(l) Reduction to the recoverable amount of assets

Property and equipment and other noncurrent assets including goodwill and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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(m) Lease

Lease of property and equipment in which the Company acquires substantially all risks and benefits of ownership are classified as financial lease. Financial leases are capitalized at the inception of the lease as a property and equipment and financial liability (lease). Property and equipment acquired in a financial lease is depreciated at the rates determined in Note 10.

Leases in which a significant part of the risks and benefits of ownership are of the lessor are classified as operating leases. Payments made for operating lease are allocated to income or loss on the straight-line basis over the term of the lease (Note 20).

(n) Provisions

Provisions are recognized when the Company has a present legal or unformalized obligation as a result of past events and it is likely that an outflow of resources is necessary for settling the obligation and a reliable estimate of the amount can be made.

The Company recognizes a provision for onerous contracts when the benefits that are expected to be accrued on a contract are lower than the inevitable costs in order to meet the obligations assumed in the contract.

(o) Debts

Debts are initially recognized on the receipt of resources, at fair value, net of transaction costs. Debts are then presented at amortized cost, that is, increased by charges and interest on a pro rata temporis basis in the period they were incurred.

(p) Recognition of revenues

Revenue from construction contracts are recognized based on the percentage of completion of each contract. The method used to determine the percentage of completion takes into consideration the proportion between the costs incurred and the services provided to that date, and the total costs estimated for the relevant contract. When revenue from construction contracts cannot be reliably calculated using this method, the Company takes into consideration an estimate of the work performed up to the relevant date.

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(q) Transitory Tax System (RTT)

The amounts presented in the financial statements take into consideration the adoption of the Transitory Tax System by the Company and its subsidiaries headquartered in Brazil, pursuant to the option granted by MP n°. 449/08. Under this tax regime, the changes in Brazilian accounting standards introduced by Law n°. 11,638/07 and MP n°. 449/08, discussed in Note 2.1 will be tax neutral. The final option for the Transitory Tax System will be expressed only upon the filing of the Corporate Income Tax Return (DIPJ). The temporary tax effects, when applicable, generated by the adherence to the Transitory Tax System, are determined and presented as deferred income tax and social contribution (Note 13 (b)).

(r) Basis of translation

The accounting records are maintained in reais. The financial information in U.S. dollars is presented solely for the convenience of the reader and has been translated from the amounts in the December 31, 2008 local currency financial statements, using the exchange rate prevailing on that date of R\$ 2.3370 to US\$ 1.00. Such translation should not be construed as representing that the amounts in reais represent, or have been, or could be, converted in U.S. dollars at that or at any other rate.

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2.3 Consolidated financial statements

- (i) The consolidated financial statements have been prepared in accordance with the consolidation practices provided for in Brazilian corporate law and CVM Instruction nº. 247/96, and comprise the financial statements of the Company and the subsidiaries in which direct and indirect holdings are maintained, in addition to the overseas branches:

	Country	Direct and indirect holding (%)	
		2008	2007
Arboreoland - Empreendimentos Imobiliários S.A.	Portugal	100.00	100.00
Atlantic Charter LLC (a)	USA	100.00	0.00
Belgrávia Empreendimentos Imobiliários S.A.	Brazil	100.00	100.00
Bento Pedroso Construções S.A.	Portugal	100.00	100.00
CBPO Engenharia Ltda.	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. - Peru	Peru	100.00	100.00
CBPO Engenharia Ltda. - Uruguai	Uruguay	100.00	100.00
CBPO Engenharia Ltda. - Venezuela	Venezuela	100.00	100.00
CBPO Ingeniería de Venezuela C.A.	Venezuela	100.00	100.00
CBPO Overseas Ltd.	Cayman Islands	100.00	100.00
Centaurus Participações S.A. (b)	Cayman Islands	100.00	100.00
Companhia de Obras e Infra-estrutura (a)	Brazil	100.00	
Conirsa S.A.	Peru	70.00	70.00
Construtora Norberto Odebrecht de Colombia Ltda.	Colombia	100.00	100.00
Construtora Norberto Odebrecht del Ecuador S.A.	Ecuador	100.00	100.00
Construtora Odebrecht Chile S.A.	Chile	100.00	100.00
Construtora Odebrecht Uruguay S.A.	Uruguay	100.00	100.00
Construtora Norberto Odebrecht Bolivia S.A.	Bolivia	100.00	100.00
Construtora Norberto Odebrecht de Panamá S.A.	Panama	100.00	100.00
Construtora Norberto Odebrecht S.A. - Angola	Angola	100.00	100.00
Construtora Norberto Odebrecht S.A. - Argélia	Algeria	100.00	100.00
Construtora Norberto Odebrecht S.A. - Argentina	Argentina	100.00	100.00
Construtora Norberto Odebrecht S.A. - Bolívia	Bolivia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Colômbia	Colombia	100.00	100.00
Construtora Norberto Odebrecht S.A. - Costa Rica	Costa Rica	100.00	100.00
Construtora Norberto Odebrecht S.A. - Emirados Árabes	Arab Emirates	100.00	100.00
Construtora Norberto Odebrecht S.A. - Equador	Ecuador	100.00	100.00
Construtora Norberto Odebrecht S.A. - Espanha	Spain	100.00	100.00
Construtora Norberto Odebrecht S.A. - México	Mexico	100.00	100.00
Construtora Norberto Odebrecht S.A. - Moçambique (a)	Mozambique	100.00	
Construtora Norberto Odebrecht S.A. - Panamá	Panama	100.00	100.00
Construtora Norberto Odebrecht S.A. - Peru	Peru	100.00	100.00
Construtora Norberto Odebrecht S.A. - República Dominicana	Dominican Republic	100.00	100.00
Construtora Norberto Odebrecht S.A. - Uruguai	Uruguay	100.00	100.00
Construtora Norberto Odebrecht S.A. - Venezuela	Venezuela	100.00	100.00
Dhawahi Almadeena Construction LLC	Iraq	100.00	100.00
Dominicana Ingeniería y Construcción S.A.	Dominican Republic	100.00	100.00
Energipar Participações S.A. (c)	Brazil	100.00	100.00
Libyan Brazilian Construction and Development Company	Libya	60.00	60.00
Lumina Engenharia Ambiental Ltda. (e)	Brazil		100.00
Multitrade S.A.	Brazil	100.00	100.00

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	Country	Direct and indirect holding (%)	
		2008	2007
Odebrecht Angola Projectos e Serviços Ltda.	Angola	100.00	100.00
Odebrecht Construction International, Inc.	Bahamas	100.00	100.00
Odebrecht Construction Malta Ltd.	Malta	100.00	100.00
Odebrecht Construction, Inc.	USA	100.00	100.00
Odebrecht Djibouti FZCO	Djibouti	100.00	100.00
Odebrecht Djibouti SAZF	Djibouti	100.00	100.00
Odebrecht Engenharia e Construção S.A.	Brazil	100.00	100.00
Odebrecht Equipamentos Ltda. (a)	Brazil	100.00	
Odebrecht Engeneering & Construction Ltd.	Malta	100.00	100.00
Odebrecht Ingeniería y Construcción de España, S.L.	Spain	100.00	100.00
Odebrecht Ingeniería y Construcción de Mexico, S de RL de CV.	Mexico	100.00	100.00
Odebrecht International B.V. (a)	Netherland	100.00	
Odebrecht Investimentos e Participações SGPS S.A.	Portugal	100.00	100.00
Odebrecht Investimentos em Concessões Ferroviárias SGPS S.A. (a)	Portugal	100.00	
Odebrecht Investimentos em Concessões Rodoviárias SGPS S.A. (a)	Portugal	100.00	
Odebrecht Mining Services, Inc.	Cayman Islands	100.00	100.00
Odebrecht Oil and Gas Angola Limited (d)	Cayman Islands		100.00
Odebrecht Oil and Gas Services Ltd.	England	100.00	100.00
Odebrecht Overseas Ltd.	Bahamas	100.00	100.00
Odebrecht Peru Ingeniería y Construcción S.A.C.	Peru	100.00	100.00
OLEX - Importação e Exportação S.A. (a)	Brazil	100.00	
OSEL - Odebrecht Serviços no Exterior Ltd.	Cayman Islands	100.00	100.00
Tenenge (UK) Ltd.	England	100.00	100.00
Tenenge Overseas Corporation	Cayman Islands	100.00	100.00
Companies proportionally consolidated			
Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L.	Angola	50.00	50.00
Sociedade Mineira de Catoca Ltda.	Angola	16.40	16.40
Proyectos Ebramex S. de R.L. de C.V.	Mexico	33.33	33.33
Mina-Trico.S.de R.L. de C.V.	Mexico	33.33	33.33
Participações Energéticas S.A.	Brazil	50.00	50.00
Obras Civis, L.N.2.2. ACE	Portugal	63.90	63.90
BPC, CBPO, Somague, Profabril, Kaiser e Acer, ACE	Portugal	50.00	50.00
Obras Civis, L.N. 2.1. ACE	Portugal	40.00	40.00
Lismercado Construções – Bento Pedroso, Somague, H.Hagen, ACE	Portugal	40.00	40.00
Somague, BPC, Engil, SPIE em ACE	Portugal	26.32	26.32
Somague, BPC, Engil, SPIE-S.B.E.S.-Prolongamento da Linha Vermelha do Metropolitano, ACE	Portugal	26.32	26.32
Somague-Bento Pedroso-Necso-Dragados, ACE	Portugal	25.00	25.00
Edifer, Soconstroi, BPC, Somague e Acciona, ACE	Portugal	20.00	20.00
Norace – Construtoras das Auto-estradas do Norte, ACE	Portugal	17.34	17.34
Vianor – Construtoras das Auto-estradas da Costa de Prata, ACE	Portugal	17.25	17.25
Lusitânia – Construtoras das Auto-estradas das Beiras Litoral e Alta, ACE	Portugal	17.25	17.25
Portuscale – Construtoras das Auto-estradas do Grande Porto, ACE	Portugal	17.25	17.25
TACE - Construção da Travessia Rodoviária de Tejo, ACE	Portugal	16.67	16.67
Agrupamento para a Construção da Segunda Travessia do Tejo, ACE	Portugal	14.34	14.34
Baixo Sabor - Bento pedroso Construções e Lena Engenharia e Construções, ACE (a)	Portugal	50.00	
Glace - Construtoras das Auto-estradas de Grande Lisboa, ACE	Portugal	17.25	17.25
Glex - Expropriações da Grande Lisboa, ACE	Portugal	14.23	14.23
United ODB LDA. (a)	Portugal	49.00	
Xingu - Sócio Ambiental Ltda.	Brazil	33.33	33.33

(a) Branch/Company formed in 2008.

(b) Company redomiciled in January 2, 2008.

(c) Company's name changed at May 29, 2008 from Energipar Captações S.A. to Energipar Participações S.A.

(d) Company sold in July 2008.

(e) Company not included in the consolidation of the financial statements as of December 31, 2007 due to the intention to sell and negotiations stage, occurred at September 23, 2008 (Note 1 (ii)).

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(ii) Information on the main direct and indirect subsidiaries included in consolidation:

	Number of shares or quotas directly or indirectly held		Adjusted stockholders' equity		Adjusted net income (loss) for the year		
	2008	2007	2008	2007	2008	2007	
	US\$		R\$		US\$		R\$
Bento Pedroso Construções S.A.	7,399,859	7,399,859	125,614	221,768	7,727	18,059	16,709
CBPO Engenharia Ltda.	2,321,413	2,327,379	404,962	806,077	61,024	142,614	42,223
Odebrecht Construction, Inc.	86,806,032	86,806,032	68,984	174,725	23,376	54,630	(5,948)
Odebrecht Overseas Ltd.	165,213,213	165,213,213	19,674	220,030	(104,545)	(244,322)	83,812
Odebrecht Peru Ingeniería y Construcción S.A.C.	4,357,442	4,357,442	48,750	91,591	4,994	11,672	32,349
OSEL - Odebrecht Serviços no Exterior Ltd.	100,000,000	100,000,000	125,764	278,893	(31,791)	(74,296)	1,017
Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L.	225,000	225,000	46,562	94,060	(10,993)	(25,690)	11,990
Sociedade Mineira de Catoca Ltda.	1	1	161,641	299,128	77,278	180,598	197,988
Construtora Norberto Odebrecht S.A. - Venezuela (Sucursal)			16,243	794	97,783	228,519	115,145

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- (iii) In the consolidated financial statements, the investors' interests in the investees' net worth and results, balances of intercompany assets, liabilities, income and expenses are eliminated. Minority interests in stockholders' equity and net income for the year are presented separately. The asset, liability, income and expense accounts of jointly-controlled subsidiaries are consolidated in proportion to the total ownership of their capital.
- (iv) The balance sheets and the net income proportionally consolidated, in accordance with CVM Instruction n°. 247/96, for the main jointly-controlled companies are summarized as follows (amounts equivalent to the participation of the Company):

	Balance sheets - 31/12/08				Statements of income - Year of 2008				
	SDM		CATOCA		SDM		CATOCA		
	US\$	R\$	US\$	R\$	US\$	R\$	US\$	R\$	
Current assets	17,552	41,018	24,356	56,919	Revenues	38,380	89,693	62,679	146,481
Non current assets	9,282	21,692	2,042	4,771	Taxes and contributions	(2,564)	(5,992)	(4,416)	(10,321)
Permanent assets	7,644	17,864	32,893	76,872	Cost	(26,654)	(62,291)	(35,006)	(81,808)
					Financial revenue	64	149	681	1,591
Current liabilities	9,002	21,037	20,721	48,426	Financial expenses	(278)	(650)	(1,453)	(3,395)
Non current liabilities	2,195	5,129	12,060	28,184	Other income (expenses), net	(14,443)	(33,754)	(1,193)	(2,788)
Stockholders' equity	23,281	54,408	26,510	61,952	Income tax			(8,619)	(20,142)
					Net income	(5,495)	(12,845)	12,673	29,618

	SDM		CATOCA		SDM		CATOCA	
	R\$		R\$		R\$		R\$	
Current assets	24,962	41,510	Revenues	61,212	133,920			
Non current assets	18,898	2,007	Taxes and contributions	(3,901)	(10,092)			
Permanent assets	28,504	58,997	Cost	(53,911)	(72,163)			
			Financial revenue	1,870	1,721			
Current liabilities	23,119	42,335	Financial expenses	(788)	(2,252)			
Non current liabilities	2,215	11,122	Other income (expenses), net	1,513	(1,180)			
Stockholders' equity	47,030	49,057	Income tax		(17,484)			
			Net income	5,995	32,470			

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3 Financial investments

					2008	2007	
	Measured at fair value through profit and loss		Held to maturity		Total		Total
	US\$	R\$	US\$	R\$	US\$	R\$	R\$
Derivatives	11,992	28,026			11,992	28,026	18,753
Government security	4,419	10,328			4,419	10,328	91,037
Trust certificates			56,810	132,764	56,810	132,764	106,952
Fixed-income investment							121,708
Others			2,114	4,939	2,114	4,939	1,440
	16,411	38,354	58,924	137,703	75,335	176,057	339,890
Current assets	16,411	38,354	57,211	133,700	73,622	172,054	274,610
Non current assets			1,713	4,003	1,713	4,003	65,280

4 Trade accounts receivable

	2008		2007
	US\$	R\$	R\$
Public sector			
Federal	894,422	2,090,265	597,680
State	371,737	868,749	609,397
Municipal	132,884	310,547	174,906
	1,399,043	3,269,561	1,381,983
Private sector	364,644	852,176	854,282
	1,763,687	4,121,737	2,236,265
Less: Current assets	1,222,840	2,857,778	1,509,510
Long-term receivables	540,847	1,263,959	726,755

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

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The balances of trade accounts receivable are calculated taking into consideration the contractual terms, specific portfolio risks and negotiations in progress, including administrative and judicial collection processes. Furthermore, taking into consideration the history of minimal losses that the Company and its subsidiaries have incurred, management does not expect losses on the realization of such receivables and believes that the recognition of amounts in addition to those recorded may occur when sufficient evidence exists to support a reasonable expectation that the corresponding amounts will be received. Trade accounts receivable at December 31, 2008 include R\$ 656,729 - US\$ 281,014 (2007 - R\$ 515,358) of overdue receivables from government entities under judicial collection, where the major part has received favorable judgments, and R\$ 200,070 - US\$ 85,610 (2007 - R\$ 155,676) of overdue receivables which the Company is attempting to collect through administrative actions with the debtors.

5 Taxes recoverable

	<u>2008</u>		<u>2007</u>	
	<u>US\$</u>		<u>R\$</u>	
Current assets				
Social contributions recoverable	1,228	2,871		2,824
Withholding IR, CSL, PIS and COFINS from invoicing and withholding IR on earnings from financing investments and invoicing	42,859	100,162		41,510
Prepaid Income Tax by overseas branches and subsidiaries	48,464	113,260		53,461
Foreign branches/ subsidiaries value add				
Construtora Norberto Odebrecht S.A. - Ecuador	1,807	4,224		3,505
Construtora Norberto Odebrecht S.A. - Venezuela (*)	79,457	185,691		94,952
Construtora Norberto Odebrecht S.A. - Argentina	21,288	49,750		
Construtora Norberto Odebrecht S.A. - Mexico	2,372	5,544		
Odebrecht Peru Ingeniería Y Construcción S.A.C.				1,544
Bento Pedroso Construções S.A. - Portugal	3,222	7,530		
Sociedade de Desenvolvimento Mineiro de Angola, S.A.R.L. - Angola	3,281	7,668		
Other investees	1,744	4,073		8,461
Other taxes recoverable				9,370
	<u>205,722</u>	<u>480,773</u>		<u>215,627</u>
Long-term receivables				
Social contributions recoverable				5,555
Foreign branches/subsidiaries value added tax	42,152	98,510		
Withhold IR on dividends abroad	9,421	22,018		13,213
Other taxes recoverable	3,381	7,900		3,533
	<u>54,954</u>	<u>128,428</u>		<u>22,301</u>

(*) The balance of tax on added value of foreign branches/subsidiaries includes US\$ 31,552 - R\$ 73,736 (2007 - US\$ 41,316 - R\$ 73,183) from the branch in Venezuela for which the branch's management is providing for the formalization of the return of the related withholding tax with the Venezuelan tax authorities. Management does not expect losses on realization of such tax credits.

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6 Inventories

		<u>2008</u>	<u>2007</u>
	<u>US\$</u>		<u>R\$</u>
Finished products (i)	14,153	33,075	17,317
Raw materials (i)	3,549	8,295	3,276
Materials to be used in construction works	293,408	685,695	220,218
Marketable properties	30,780	71,934	19,627
Imports and exports in progress	39,023	91,196	182,248
Inventories in transit	3,703	8,655	6,908
Advances to suppliers	95,248	222,593	79,767
	<u>479,864</u>	<u>1,121,443</u>	<u>529,361</u>

(i) These basically refer to the diamond inventories of the jointly-controlled entities SDM and Catoca.

7 Eletrobrás credits

On October 23, 2006 according to the "Contract of Assignment of Credit Rights Subject to a Legal Action with a Judgment made Final and Unappealable", Odebrecht Investimentos S.A. (merged into ODB) sold to the Company, the credit rights arising from the proceeding nº. 2001.34.00.029764-8, which was judged in a final and unappealable decision in 2006, originally filed by OPP Química S.A. (merged into Braskem S.A.) against Centrais Elétricas Brasileiras S.A. - Eletrobrás ("Eletrobrás"). Such assignment had the net amount of R\$ 238,234, after deducting the fees of the lawyers contracted to accompany the legal action. The Company paid the amount corresponding to such sale in cash, in the amount of R\$ 149,959, and the remaining balance in the amount of R\$ 88,275, was used by the Company, to partially reduce the receivables from ODB (former name of ODBPAR Investimentos S.A.) regarding to the current account agreement existing between the parties.

According to the final and unappealable decision, Eletrobrás is obliged to (i) monetarily adjust the payments made by the plaintiff from 1977 up to 1994, as Eletrobrás Compulsory Loan ("ECE") determined by Law nº. 4,156/62, using the monetary adjustment rates decided in such legal decision; (ii) pay interest at the rate of 6% per year, according to Law nº. 5,073/66, on the difference in the monetary adjustment; and (iii) reimburse the legal costs and pay the loss of lawsuit fees.

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In addition to the final and unappealable decision, the following events have occurred in respect to the legal action: (i) proposition of credit execution against Eletrobrás, in the amount of R\$ 261,557; (ii) payment in court by Eletrobrás, of part of the executed amount of R\$ 71,187; and (iii) filing of the opposition by Eletrobrás, with the purpose of discussing the criteria for calculating the amount of the remaining balance, and offering the nominative preferred shares of a subsidiary in guarantee sufficient to cover the remaining balance.

In January 2008, the Company received a portion of the payment made in court in the amount of R\$ 59,104 - US\$ 25,921 and awaits the appointment of experts to determine the difference contested by Eletrobrás, therefore, the accounting balance was reclassified to long-term assets in 2008 based on the expectation of its realization.

8 Odebrecht Organization companies

(i) Transactions and balances

	<u>Long-term receivables</u>	<u>Long-term liabilities</u>	<u>Financial income, net</u>
CBPO Malaysia SDN BHD	12,386		
Aqueduct Trading Services Co. Inc.		94,311	
Odebrecht S.A.	815,574		
Odebrecht International Coporation ("ODBIC")		210,881	
OFL	54,598		
OOSL	147,308		
Others	4,543		6,188
	<u>1,034,409</u>	<u>305,192</u>	<u>6,188</u>
Total - 2008 - R\$			
	<u>442,623</u>	<u>130,591</u>	<u>2,648</u>
Total - 2008 - US\$			
	<u>10,497</u>	<u>143,265</u>	<u>18,835</u>
Total - 2007 - R\$			

The main balances with Odebrecht Organization companies are governed by the contractual instrument "Current account and single cash management agreement", entered into by Organization companies and maturing on December 31, 2011. The operations consist of lending of funds, assignments of credits and assumptions of obligations and are not subject to financial interest.

The financial income is represented, mainly, by the foreign exchange variation on corporate investments overseas.

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(ii) Compensation of key management personnel

Management key-personal includes the counselors and directors of the Company and its subsidiaries. The amounts paid are presented below:

		<u>2008</u>	<u>2007</u>
	<u>US\$</u>		<u>R\$</u>
Management's remuneration expense	5,745	13,426	12,528
Management profit sharing	<u>5,349</u>	<u>12,500</u>	<u>12,500</u>
	<u>11,094</u>	<u>25,926</u>	<u>25,028</u>

9 Investments

(a) Information on the investees

The balance of the investments in associated companies at December 31, 2008 and 2007 is comprised substantially of the investment in Braskem, and recorded using the equity method.

See Notes (i) and (ii) as follows, the main information and changes in investments for the year:

(i) Details on the investment in Braskem S.A.

		<u>2008</u>	<u>2007</u> (Restated)
Number of shares held (*)		78,512,673	57,826,801
Direct holding (%)		15.47	13.36
Adjusted stockholder's equity - In R\$		3,679,858	5,766,288
Adjusted stockholder's equity - In US\$		1,574,608	2,467,389
		<u>2008</u>	<u>2007</u> (Restated)
	<u>US\$</u>		<u>R\$</u>
Net income (loss) adjusted for the year	(1,066,370)	(2,492,107)	617,438

(*) On October 31, 2007, 25,832,198 common shares were commuted for 25,832,198 preferred shares.

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(ii) Movement in the investment in associated companies:

	<u>2008</u>		<u>2007</u>
	<u>US\$</u>		(Restated)
Braskem			<u>R\$</u>
At the beginning of the year	329,643	770,376	
Debentures conversion (a)			1,079,657
Disposals (a)			(221,231)
Loss due to the strike price (a)			(52,801)
Increase (b)	64,837	151,525	
Equity result	(123,967)	(289,710)	1,952
Dividends			(37,201)
Loss due to participation changes (c)	(27,003)	(63,107)	
Equity evaluation adjustment (d)	(6,888)	(16,097)	
Others	51	120	
Investment balance of Braskem	236,673	553,107	770,376
Other investments	14,230	33,253	20,549
Total balance in associated companies	<u>250,903</u>	<u>586,360</u>	<u>790,925</u>

- (a) Acquisition of interests in Braskem, pursuant to the corporate structure optimization process described in Note 1 (ii), adjusted for the proportional goodwill realization.
- (b) On December 31, 2008, ODB (as shareholder of the Company) increased the Company's capital by R\$ 151,525 - US\$ 64,837 using its investment in Braskem, represented by 20,685,872 preferred shares, which had an equity value of R\$ 167,692 - US\$ 71,755, with negative goodwill of R\$ 16,167 - US\$ 6,918 (Note 1 (ii) and 14 (a)).
- (c) In 2008, the shareholding position of Braskem was changed, which resulted in adjustments to the equity interest held by the Company, generating a loss of R\$ 63,107 - US\$ 27,003. These adjustments were recorded in the "Other income (expenses), net" (Note 19).
- (d) The unrealized effect of the fair value adjustments arising from financial instruments classified as "available-for-sale", by the associate company Braskem, in the total amount of R\$ 16,097 - US\$ 6,888 was directly recorded in stockholders' equity in the "Equity evaluation adjustment" account (Note 14 (d)).

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(b) Provision for losses on investments

		<u>2008</u>	<u>2007</u>
	<u>US\$</u>		<u>R\$</u>
UMON - Engenharia de Montagem Ltda.	3,233	7,556	7,360
UNICON - União de Construtoras Ltda.	820	1,916	1,549
TENCON - Comércio Participações Ltda.	41	96	2,607
Others	179	418	437
	<u>4,273</u>	<u>9,986</u>	<u>11,953</u>

(c) Other investments

Represented mainly by the investments of the indirect subsidiary Bento Pedroso Construções S.A. ("BPC"), headquartered in Portugal, in companies with concessions to build highways, all recorded under the cost method since interests are lower than 20% of the voting capital and the Company does not have significant influence. The main balances are comprised as follows:

		<u>2008</u>	<u>2007</u>
	<u>US\$</u>		<u>R\$</u>
Aenor - Auto Estradas do Norte, S.A.	21,601	50,482	40,668
Lusolisboa - Auto Estradas da Grande Lisboa S.A.	8,291	19,375	8,481
Lusoscut - Auto Estradas da Costa de Prata, S.A.	6,629	15,492	14,482
Lusoscut - Auto Estradas das Beiras e Alta, S.A.	17,887	41,802	37,879
Lusoscut - Auto Estradas do Grande Porto S.A.	14,689	34,329	27,655
Others	14,198	33,180	21,397
	<u>83,295</u>	<u>194,660</u>	<u>150,562</u>

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10 Property and equipment

	2008		2007 (Restated)		%	
	Cost	Accumated depreciation	Net	Net	Annual depreciation rates	
	R\$	R\$	US\$	R\$		
Land	7,587		3,246	7,587	5,873	
Buildings and installations	176,402	(44,906)	56,267	131,496	70,356	4
Machinery and equipment	2,105,751	(823,695)	548,591	1,282,056	598,837	10 to 20
Vehicles and ships	583,829	(246,400)	144,386	337,429	223,316	25
Furniture and fixtures	207,123	(87,984)	50,979	119,139	60,834	10
Advances to suppliers and other	117,629	(2,602)	49,220	115,027	98,145	until 10
	<u>3,198,321</u>	<u>(1,205,587)</u>	<u>852,689</u>	<u>1,992,734</u>	<u>1,057,361</u>	

(i) Changes in property and equipment

	2008		2007 (Restated)	
	US\$	US\$	R\$	R\$
At the beginning of the year	452,444	1,057,361	780,636	
(+) Additions	493,635	1,153,626	865,539	
(-) Disposals	(133,012)	(310,848)	(184,125)	
(-) Corporate changes (*)	(2,565)	(5,994)	(130,603)	
(-) Depreciation	(198,738)	(464,451)	(217,511)	
(-) Exchange variation	240,925	563,040	(56,575)	
At the end of the year	<u>852,689</u>	<u>1,992,734</u>	<u>1,057,361</u>	

(*) Includes spin-off (Note 14 (a) and Note 1 (ii)) and write-off due to the non-consolidation of the company sold (Odebrecht Drilling Services LLC, controlled by OOSL).

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11 Debts

Financial institution/type of loans	Currency	Annual Financial charges	US\$		R\$	
			2008	2007	2008	2007
Perpetual Bonds (i) (b)	US\$	10.15% + EV	200,428	468,400	355,018	
Medium-Term Note Programme (i) (a) (1)	US\$	11.50% + EV	44,223	103,349	78,332	
Unibanco (g) and (h)	US\$	Libor + 1.15% to 2.45% + EV. 8.00% pre-fixed to 8.75% + EV	191,336	447,152		
Banco do Brasil	R\$	128.5% CDI	55,988	130,843		
ABN Amro Bank N.V.	US\$	Libor + 0.275% + EV	55,495	129,691	42,351	
Safira (g)	US\$	Libor + 2.15% + EV	51,112	119,449		
Societe Generale (c)	US\$	Libor + 2.50% + EV	50,029	116,917		
Banesco	VEF	25.00% to 28.00% + EV	44,073	102,999	41,193	
Santander	US\$	Libor + 1.15% + EV	26,682	62,356		
BCP Investimento S.A.	€	5.10% to 5.78% + EV	31,257	73,047	45,541	
Banco Exterior	VEF	26.00% to 28.00% + EV	30,232	70,653		
Banco Nacional de Paris	US\$	Libor + 0.80% + EV	25,591	59,806	24,787	
Banco Mercantil de Venezuela	VEF	23.00% + EV	23,256	54,349		
Banco Nacional de Credito	VEF	26.00% + EV	18,605	43,479		
BBVA Bancomer S.A.	US\$	Libor + 1.15% + EV	15,009	35,075		
BSN Portugal S.A.	US\$	Libor + 0.85% + EV	11,649	27,223	13,321	
Banco Africano de Investimento	€	3.92% to 5.00% + EV	11,134	26,019	20,869	
BBVA Trade Finance	US\$	7.50% + EV	10,000	23,370	17,713	
IKB Deutsche Bank	US\$	3.93% to 4.85% + EV	10,174	23,777	20,853	
Banco de Crédito del Peru	US\$	Libor + 0.95% + EV	8,534	19,944	19,977	
Banco Totta de Angola S.A.R.L.	US\$	6.00% + EV	4,550	10,633	95,966	
Deutsche Bank S.A.	€	Libor + 2.00% to 7.00% + EV			8,469	
Banco Fomento de Angola S.A.R.L.	US\$	4.54% + EV			6,850	
FINAME (d)	US\$	Libor + 1.17% + EV	87,630	204,791	58,309	
Several Foreign financial institutions	R\$	TJLP + 0.86% to 5.80%, pre-fixed	55,682	130,128	133,447	
Several Brazilian financial institutions	US\$ e R\$	4.68% a 26.00% + EV and Eibor + 1.50% + EV	39,133	91,460	64,608	
		Libor + 1.15% to 1.65% + EV. 4.53 to 5.24 + EV. 107% and 148.5% CDI	1,101,802	2,574,910	1,101,102	
		Less: long-term	728,354	1,702,163	669,302	
		Current liabilities	373,448	872,747	431,800	
Abbreviations used:						
CDI - Certificate Interbank Deposit						
EV - Exchange variation						
LIBOR - London Interbank Offered Rate						
FINAME - Financing of Machinery and Equipment						
VEF - Venezuelan Bolivares						
TJLP - Long-term Interest Rate						

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(i) Additional information

- (a) On February 18, 2004, Odebrecht Overseas Ltd. ("OOL") placed the amount of US\$ 250,000 in the international financial markets through a Medium-Term Notes Program, falling due in up to five years from the issue date. Subsequently, on October 1, 2004, the total amount of this program was increased to US\$ 500,000. Under the program, OOL carried out the following issuances, all of which were guaranteed by the Company:
- (1) On February 25, 2004, in the amount of US\$ 150,000, maturing in February 2009. On August 9, 2007, OOL redeemed in advance approximately 72% of the Medium-Term Notes that mature in February 2009. The purpose of this operation was to obtain from investors their consent to match the restrictive clauses existing in this issue to those for the Perpetual Bonds (Note 11 (i) (b)). The amount paid in the operation was US\$ 107,475, plus a premium of US\$ 9,737, and interest of US\$ 5,631. The remaining balance recorded in the balance sheet corresponding to this operation, plus interest incurred, amounts to US\$ 44,223 – R\$ 103,349 on December 31, 2008 (2007 - R\$ 78,332);
 - (2) On February 25, 2004, in the amount of US\$ 15,000, maturing in February 2009. The debt was subsequently assumed by ODB International Corporation ("ODBIC"), a subsidiary of ODB, pursuant to a Debt Assumption Agreement entered into by the parties, with the consent of the creditors.
 - (3) On October 4, 2004, in the amount of € 65,000 thousands, maturing and fully paid in October 2007;
 - (4) On November 14, 2005, in the amount of US\$ 15,000, maturing in February 2010. This debt was subsequently assumed by ODBIC, a subsidiary of ODB, pursuant to a Debt Assumption Agreement entered into by the parties, with the consent of the creditors; and
 - (5) On November 14, 2007, in the amount of US\$ 72,800, maturing in November 2012. This debt was subsequently assumed by ODBIC, a subsidiary of ODB, pursuant to a Debt Assumption Agreement entered into by the parties, with the consent of the creditors.
- (b) On September 24, 2005, OOL raised US\$ 200,000 in the European, Asian and North American international financial markets in Perpetual Bonds. Such Bonds have no maturity date but provide to the issuer a call option, after 5 years from the issuance date, with annual interest paid quarterly. The issuance costs, in the amount of US\$ 4,135, are part of the placement cost of such bonds. This operation is guaranteed by the Company, and the balance with accrued interest on December 31, 2008 amounts to US\$ 200,428 - R\$ 468,400 (2007 - R\$ 355,018).
- (c) On May 18, 2006, OOL raised with financial entities in the local and international market, a credit line called "Revolving Credit Facility Agreement" in the total amount of US\$ 300,000

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maturing in February 2010, with financial charges equivalent to LIBOR plus 1.15% p.a. In case the credit line is not in use, the financial charge is 0.65% p.a. payable monthly. As of December 31, 2008, this credit line was being partially used, and the balance plus interest incurred, in the amounts to US\$ 50,029 - R\$ 116,917.

- (d) The Company makes financed purchases of assets, mostly through BNDES credit lines (FINAME), for which the assets themselves are given as guarantee. On December 31, 2008, the total amount financed was R\$ 204,791 –US\$ 87,630 (2007 - R\$ 133,447).
- (e) On October 18, 2007, a subsidiary company of ODB, OFL, raised US\$ 200,000 in Bonds on the international financial markets. These Bonds mature within ten years after their issue date and have a call (repurchase) option in 5 years. The operation was guaranteed by the Company.
- (f) On April 07, 2008, a subsidiary company of ODB, OFL, raised US\$ 200,000 in Bonds on the international financial markets. These Bonds mature in October 2017 and have a call (repurchase) option in 5 years. The operation was guaranteed by the Company.
- (g) As from June 2008, the subsidiary company OOL contracted import financing (FINIMP) in the total amount of US\$ 180,000, falling due within up to three years after the issue date.
- (h) On September 5, 2008, the subsidiary company Olex raised US\$ 50,000 in export credit notes, falling due in September 2011, and with financial charges equivalent to LIBOR plus 2.45% p.a.

(ii) Composition of the long-term debt per year of maturity

The long-term amounts are due as follows:

	2008		2007
	US\$		R\$
2009			193,834
2010	345,779	808,085	50,775
2011	84,546	197,584	11,519
2012 and thereafter	298,029	696,494	413,174
	<u>728,354</u>	<u>1,702,163</u>	<u>669,302</u>

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(iii) Restrictive clauses and guarantees

The Bonds issuances previously mentioned have certain restrictive clauses, which are being complied with by the Company and its subsidiaries.

Long-term financing is guaranteed by national treasury bonds, liens on property and equipment, share pledge, sureties and guarantees of stockholders and bank letters of guarantee.

12 Provision for contingencies

- (i) The Company and its subsidiaries have provisions of R\$ 36,540 - US\$ 15,635 (2007 - R\$ 18,331) in current liabilities and R\$ 905 - R\$ 387 (2007 - R\$ 57,901) in non current liabilities to cover (i) legal indemnity expenditures related to layoffs of employees, which is usual and inherent to its line of activity; the provision is based on the history of similar monthly disbursements; and (ii) labor, tax and civil claims, which in the opinion of management and its legal advisors have a remote chance of a favorable outcome.

In addition, the Company and its subsidiary CBPO are defending labor and tax claims of R\$ 138,512 - US\$ 59,269 (2007 - R\$ 112, 247), as well as civil claims of R\$ 401,615 - US\$ 171,851 (2007 - R\$ 433,867), for which no provision for losses has been recorded because management and legal advisors believe that no significant losses there from are probable from the final decision of such actions.

- (ii) The Company and its subsidiary CBPO have an injunction which granted them the right not to pay the Social Contribution on Revenues ("COFINS") on income other than billings and the right not to pay the increase of 1% in the COFINS rate on billings, based on the provisions of Law n°. 9,718/98. When Law n°. 10,833/03 was enacted, the Company and CBPO started to regularly pay COFINS as from February 2004.

In addition, the subsidiary CBPO was granted an injunction giving it the right not to pay the Social Integration Program Contribution (PIS) on other income, based on the provisions of Law n°. 9,718/98 (upon enactment of Law n°. 10,637/02, this investee started to pay PIS in January 2003). The unpaid amounts were recorded monthly in this account and updated for the related late charges until the Company and the subsidiary would be awarded a final decision.

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On September 15, 2006 the Company and CBPO withdrew their claims challenging the increase in the COFINS rate and included the debts in the Exceptional Installment Program (PAEX) introduced by Provisional Measure 303 of June 29, 2006. The accounting balance corresponding to such proceeding is R\$ 56,004, which was divided into 130 monthly installments (debts due up to February 28, 2003) or 120 monthly installments (debts due from March 1, 2003 up to December 31, 2005). Of this balance, R\$ 50,452 - US\$ 21,588 (2007 - R\$ 50,234) is recorded under noncurrent liabilities and the remaining portion of R\$ 5,552 - US\$ 2,376 (2007 - R\$ 6,732), under current liabilities.

- (iii) Since 2003, the Company's branch in Ecuador has been inspected by the Internal Revenue Service (local equivalent to the Brazilian Federal Revenue Secretariat) relating to income tax returns filed from 1999 to 2002 and from 2004 to 2005. As a result of these inspections, the Ecuadorian tax authorities assessed this branch for additional amounts in relation to income tax and tax on added value, of approximately US\$ 6,191 and US\$ 2,791, respectively (not including interest, arrears fines and other potential charges). Management, considering that there are sufficient grounds for a favorable outcome, and based on the opinion of its external legal advisors, who believe that the chances of a loss are remote, did not set up a provision to cover potential losses arising from this matter.

- (iv) In 2008, the Company's branch in Venezuela was inspected by the Integrated National Customers and Tax Integrated Service (SENIAT), the agency equivalent to the Brazilian Federal Revenue Secretariat for federal taxes (IVA - Value-Added Tax, and ISLR – Income Tax), with respect to the income tax return for 2006 and 2007. As a result of this inspection, the Venezuelan tax authority assessed this branch with respect to income tax. The approximate amounts of the tax assessment for 2006 and 2007 were US\$ 57,000 (R\$ 133,209) and US\$ 47,600 (R\$ 111,241), respectively (not including interest, fines and other potential charges). Based on this assessment, in December 2008, the Company accepted and paid the amount of US\$ 13,900 (R\$ 32,484), including fine and interest charges of US\$ 5,600 (R\$ 13,087) for 2006 and US\$ 8,300 (R\$ 19,397) for 2007. Management, considering that there are sufficient grounds for a favorable outcome, and based on the opinion of its external legal advisors, who believe that the chances of a loss are remote, did not set up a provision to cover potential losses arising from this matter.

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13 Income tax and social contribution

(a) Composition of the effects on results - reversal (expense)

	<u>2008</u>	<u>2007</u>
	<u>US\$</u>	<u>R\$</u>
Deferred social contribution	17,214	(51,942)
Current social contribution	(176)	(6,489)
Total social contribution	<u>17,038</u>	<u>(58,431)</u>
Deferred income tax	47,594	(158,903)
Current income tax	(418)	(24,159)
Foreign income tax (branches and subsidiaries)	(110,796)	(83,111)
Total income tax	<u>(63,620)</u>	<u>(266,173)</u>

(b) Balances of deferred income tax and social contribution

The asset balances relate to income tax and social contribution on the tax losses and social contribution tax loss carryforward, respectively, and on the temporary differences arising mainly from the Company and its indirect subsidiary CBPO. The liability balances relate to income tax and social contribution on unrealized profits on sales to government entities and the effects of exchange variations, mainly in the Company and its indirect subsidiary CBPO.

On December 31, 2007, the balances of current income tax and social contribution were offset with withholding tax credits amounting to R\$ 78,338. Additionally, based on management's projections regarding the payment of these taxes in 2008, the balances of income tax and social contribution payable were offset with tax assets relating to tax loss carryforward and withholding tax credits, in the amount of R\$ 28,486 - US\$ 12,189.

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The composition of the deferred income tax and social contribution accounts on December 31, 2008 and 2007 is presented as follows:

(i) Income tax

				2008	2007
	On other temporary differences	Deferred income and exchange variation	Accumulated tax losses	Total	Total
In R\$					
Current assets	49,505			49,505	22,612
Long-term receivables	10,024		7,900	17,924	6,689
Non current liabilities		(101,798)	(982)	(102,780)	(117,879)
In US\$					
Current assets	21,183			21,183	
Long-term receivables	4,289		3,379	7,668	
Non current liabilities		(43,559)	(420)	(43,979)	

(ii) Social contribution

				2008	2007
	On other temporary differences	Deferred income and exchange variation	Accumulated tax losses	Total	Total
In R\$					
Current assets	2,620			2,620	6,206
Long-term receivables	4,962			4,962	1,629
Non current liabilities		(59,362)	3,275	(56,087)	(82,331)
In US\$					
Current assets	1,121			1,121	
Long-term receivables	2,125			2,125	
Non current liabilities		(25,401)	1,401	(24,000)	

(c) Recoverability of recorded deferred assets

The Company and its indirect subsidiary CBPO base the recoverability of the net asset balances of deferred income tax and social contribution on the profit forecasts for the next three years.

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This forecast includes, as basic assumptions, the continuing increase in the order backlog (portfolio of revenues already contracted by the Company and CBPO) in recent years; the gains to be earned from the disposal of assets not pertaining to the engineering and construction activity; the increased investment in Brazil's power and infrastructure sectors; as well as the recognition, for tax purposes, of the operating results of foreign subsidiaries as from December 31, 2002. Additionally, the Company, together with its main subsidiary operating in Brazil, CBPO, have realized and cumulatively reduced their net balance of deferred income tax and social contribution assets in the past five years.

(d) Foreign income tax

In the year ended December 31, 2008, the income tax expense incurred overseas is represented primarily by the taxes generated by operations in Angola (R\$ 89,925 - US\$ 38,479), Argentina (R\$ 65,010 - US\$ 27,818) and Venezuela (R\$ 80,502 - US\$ 34,447). In the year ended December 31, 2007, the income tax incurred overseas is represented primarily by taxes generated by operations in Angola (R\$ 31,294) and Venezuela (R\$ 32,760).

(e) Government grant - tax incentives

The Company, by means of the Constitutive Report nº. 0219/2006, of October 9, 2006, issued by the Agência de Desenvolvimento do Nordeste - ADENE of the Ministry of National Integration acquired the right to a 75% reduction benefit, up to the base year of 2016 (calendar year of 2015), on the income tax payable on the profits arising from the manufacture and assembly of the pumping modules comprising a sea platform for oil exploitation contracted by Petróleo Brasileiro S.A. - Petrobras. The manufacture and assembly plant is installed at Vila de São Roque de Paraguaçu, in the city of Maragogipe, State of Bahia.

14 Stockholders' equity

(a) Capital

At December 31, 2008, the Company's capital, subscribed and paid-up entirely by Brazilian individuals and corporations, was comprised by 163,298,207 common shares and 118,800,974 preferred shares (2007 - 148,101,394 common shares and 107,745,593 preferred shares) with no par value.

As mentioned in Note 1 (ii), the Extraordinary General Meeting held on July 3, 2007 approved the partial spin-off of the stockholders' equity of the parent company ODB, followed by the merger of the spun-off portion into the Company, with an increase in its capital by R\$ 103, through the issue of 10,555 common shares and 7,679 preferred shares.

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Also on October 31, 2007, the partial spin-off of Company's equity in the amount of R\$ 147,936 on base-date October 31, 2007, without the cancellation of shares, was carried out (Note 1 (ii)).

On August 31, 2008, the Company's equity amounting R\$ 3,583 - US\$ 1,533 was partially spun-off with the cancellation of 254,969 common shares and 185,494 preferred shares owned by ODB. This spun-off had three destinations: a portion spun-off amounting to R\$ 1,018 - US\$ 436 was merged into Odebrecht Plantas Industriais e Participações S.A. ("OPIP"), a portion spun-off amounting to R\$ 1,547 - US\$ 661, was merged into Odebrecht Serviços de Engenharia e Construção S.A. ("OSEC") and a portion spun-off amounting to R\$ 1,018 - US\$ 436 was merged into OOG (Note 1 (ii)).

On November 30, 2008, the Extraordinary General Meeting approved the merger at book value of the subsidiary ODBPAR into the Company, with the increase of its capital stock by R\$ 64,861 - US\$ 27,254 by means of the issue of 4,635,564 common shares and 3,371,975 preferred shares (Note 1 (ii)).

On December 31, 2008, the Extraordinary General Meeting approved the increase of the Company's capital stock by R\$ 151,525 - US\$ 64,837 by the stockholder ODB with the issue of 10,816,218 common shares and 7,868,900 subscribed preferred shares with no par value by means of the transfer of 20,685,872 preferred shares of Braskem (Note 1 (ii)).

(b) Share rights

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

On November 5, 2008, interest on own capital amounting to R\$ 254,600 - US\$ 108,943 (2007 - R\$ 15,000) was paid to stockholders, and the amount net of withholding income tax was imputed to the minimum compulsory dividend for 2008, pursuant to the legal provision in paragraph 7 of Article 9 of Law n°. 9,249/95.

For the purposes of disclosure, the interest on own capital expense was reversed in the statement of income itself under "Financial result (expenses), net", and it was also presented in the statement of changes in stockholders' equity pursuant to CVM Resolution n°. 207/96.

The Company distributed extraordinary dividends, based on the reserve for investments, on December 31, 2007, in the amount of R\$ 52,999. Such amounts were paid through the current account between the Company and ODBPAR.

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The Company's management resolved to distribute dividends at an amount that is lower than the minimum compulsory dividend for the year ended December 31, 2007, in accordance with the approval of all stockholders in formal letters forwarded to management and confirmed at the Ordinary General Meeting held on April 29, 2008. The amount of the unpaid portion of minimum compulsory dividend was appropriated to the reserve for investments (Note 14 (c) (ii)).

(c) Appropriation of net income

According to the Company's by-laws, appropriations are made to revenue reserves as described below. The utilization of the remaining balance after these appropriations and distribution of dividends will be decided at the Annual Shareholders' Meeting.

(i) Legal reserve

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

(ii) Reserve for investments (statutory)

This is established through the appropriation of up to 70% of net income, less transfer to the legal reserve for the year, until, together with the legal reserve, it reaches 100% of total capital.

(iii) Revenue reserve – tax incentives

In compliance with Law n°. 11,638 and CPC pronouncement n°. 07 – Government grant, the amounts related to the tax incentive determined pursuant to Note 13 (e) were accounted for in net income for the year and subsequently allocated to the Revenue reserve - tax incentives. This reserve may only be used for capital increase or possible absorption of losses, as provided for in Article 545 of the Income Tax Regulation. As a result of the changes introduced by Law n° 11,638 and MP n° 449/08, the balance of the tax incentives reserve was reclassified from the capital reserve to revenue reserve.

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(d) Account - Equity evaluation adjustment

This account was established by Law nº. 11,638/07 for the purposes of recording the amounts contained in stockholders' equity that had not been recorded in net income or loss for the year. The effects of these amounts on net income or loss for the year will be recognized upon their effective realization. On December 31, 2008, the Company has the following amounts in this account:

	<u>US\$</u>	<u>R\$</u>
Net exchange gains on the conversion of financial statements of foreign investees (Note 2.2 (h))	267,228	624,511
Realization of the accumulated foreign exchange variation of foreign investees (*)	(139,843)	(326,812)
Change in the fair value of financial instruments of invested company (Note 9 (a) (ii))	<u>(6,888)</u>	<u>(16,097)</u>
	<u>120,497</u>	<u>281,602</u>

(*) Mainly corresponds to the realization of the accumulated foreign exchange variation on the reduction of the capital of the indirect subsidiary TOC on December 15, 2008 (Notes 1 (ii) and 15).

15 Financial results, net

	<u>2008</u>		<u>2007</u> (Restated)
	<u>US\$</u>	<u>R\$</u>	
Financial investments income	23,539	55,010	158,064
Exchange variation expense (i)	(357,411)	(835,269)	(316,173)
Exchange variation income	146,029	341,269	391,942
Debts financial charges	(61,903)	(144,668)	(79,281)
Bank commissions	(19,665)	(45,957)	(58,452)
Other, net	<u>(14,468)</u>	<u>(33,811)</u>	<u>8,455</u>
	<u>(283,879)</u>	<u>(663,426)</u>	<u>104,555</u>

(i) Includes R\$ 326,812 - US\$ 139,843 of exchange variation gains related to the realization of accumulated foreign exchange variation of foreign investees, arising, mainly, from the capital reduction of the indirect subsidiary, TOC, as described in Note 1 (ii).

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16 Insurance coverage

The uniformity in the treatment of risks at Odebrecht Organization is ensured by its Insurance and Guarantees Policy (“Policy”), which establishes the basic concepts, general guidelines and authority for contacting and managing insurance and warranties along with the insurance market.

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

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

In 2008, the Policy was fully complied with. We are not aware of any risk covered by the Policy that has not been duly analyzed and mitigated, or of any claims that has not been properly covered.

At December 31, 2008, the insurance coverage of the Company and its subsidiaries amounts to US\$ 19,749,728 - R\$ 46,155,115 (2007 - US\$ 11,438,616 - R\$ 20,261,220). The Company and its subsidiaries have Surety Bond operations, which, on December 31, 2008, amounted to US\$ 4,908,364 - R\$ 11,470,847 (2007 - US\$ 3,008,752 - R\$ 5,329,403).

17 Private pension plan

The Company and its subsidiaries have entered into an agreement with ODEPREV - Odebrecht Previdência (“ODEPREV”), a private pension fund established by the parent company ODB, and is one of the sponsoring companies. ODEPREV offers its participants a defined contribution plan in which monthly and additional participant contributions and monthly and annual sponsor contributions are made to individual pension savings accounts.

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In relation to the benefit payments established for the plan, the ODEPREV obligations are limited to the total value of the participants' quotas and, in conformity with the rules of the defined contribution plan, no obligations or responsibilities can be required from the sponsoring companies to guarantee minimum levels of benefits to the retired participants. The contributions of the Company and its subsidiaries for the year ended December 31, 2008 amounts to R\$ 12,211 - US\$ 5,225 (2007 - R\$ 8,536).

As the ODEPREV plan is a defined contribution plan, under which the risk of receiving benefits is the full responsibility of the participants, the Company's management has determined that the provisions of Accounting Standard NPC 26 of the Institute of Independent Auditors of Brazil (IBRACON), "Accounting for Benefits to Employees" are not applicable to such plan.

18 Financial Instruments

(a) General considerations

The Company and its subsidiaries participate in transactions involving financial instruments, including financial investments, suppliers and financing.

The purpose of these transactions carried out by the Company and its subsidiaries is the management of the cash resources of their operations and the hedge against the effects of foreign exchange fluctuations on the exposure in foreign currencies and interest rate fluctuations. These risks are managed through financial market mechanisms that minimize the exposure of the companies' assets and liabilities, protecting their profitability and equity of the stockholders equity of the Company and its subsidiaries.

The amounts recorded in current assets and liabilities are highly liquid and most of them mature within three months. Taking into consideration the term and the characteristics of these instruments, that are systematically renegotiated, their book values approximate their fair values.

(b) Cash and cash equivalents, financial investments, trade accounts receivable, other current assets and accounts payable

The book values of the financial instruments of the Company and its subsidiaries approximate their realizable values.

(c) Investments

These mainly consist of investments in associates, recorded using the equity method, in which the Company has a strategic interest.

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(d) Debts

Debts are classified as noncurrent liabilities and their book value approximates its market value.

(e) Financial risk management policy

The Company and its subsidiaries use financial risk management policies that sets forth the guidelines for the management of risks. Under those policies, the nature and general position of financial risks is regularly monitored and managed in order to evaluate results and the financial impact on cash flow. The credit limits and hedge quality of counterparts are also frequently reviewed.

Under those policies, market risks are hedged when the Company believes it is necessary to support corporate strategy.

Under those financial risk management policies, the Company and its subsidiaries manage some of the risks by means of the use of derivative instruments for the sole purpose of creating hedges and not for speculative purposes.

(f) Credit risk

The sales policy of the Company and its subsidiaries takes into consideration the credit risk level to which the Company is willing to be subject to in the course of its business. The diversification of its receivables, the selectivity of its customers, as well as the monitoring of the financing terms for sales per business segment and individual position limits are procedures adopted in order to minimize possible default problems in its accounts receivable.

At December 31, 2008, the Company and its subsidiaries had overdue accounts receivable amounting to R\$ 856,799 - US\$ 366,624 (2007 - R\$ 671,034) for services rendered to government entities. Historically, the Company and its subsidiaries have collected the amounts owed by these entities, including those overdue for one year or more. The collection of these overdue amounts from government entities occurs through payment or the receipt of government bonds or other government assets. As a way of mitigating these risks, the Company and its subsidiaries have applied a greater degree of selectivity when accepting customers, and have increased the sales revenues from private customers or public sector customers which the Company and its subsidiaries consider having the capacity to generate revenues independently and which do not rely on government budgets to pay their liabilities (mainly companies with both public and private shareholders) and have been a party to contracts in which payments are financed by export agencies, multilateral agencies, commercial banks, private pension funds and private investors.

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

(g) Price risk

A significant number of the contracts in which the Company and its subsidiaries are engaged are fixed-price contracts. The actual profit margins on these contracts may differ from the margins estimated at the time the costs were budgeted and the contract price was proposed because of: significant unexpected increases in the costs of equipment, materials to be used for labor, relating to inflationary effects or other unexpected events; problems encountered by the customer to obtain the necessary financing of the contract or to obtain government authorizations or approvals; project changes resulting in unexpected costs; and delays caused by bad weather or the non-performance of subcontractors and/or contracted suppliers.

To minimize the price risk, the fixed-price contracts performed by the Company and its subsidiaries have their budgets periodically revised to reflect, if necessary, inconsistencies noted between actual and budgeted costs. The Company and its subsidiaries follow a policy of negotiating claims to increase contract prices through contract amendments to recover variations from the contracted price, recorded in the books when the contract amendment is signed.

(h) Market risk

Interest rate risk

The associated risks arises from the possibility that the Company and its subsidiaries may incur losses due to fluctuations in interest rates that would increase financial expenses related to debts raised in the market.

Foreign exchange rate risk

The associated risk arises from the possibility that the Company and its subsidiaries may incur losses due to exchange rate fluctuations that would reduce the nominal billed amounts or increase funds raised in the market.

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The Company, through its branches, subsidiaries and associated companies, has a significant volume of operations abroad, as described in Note 1, of which part is denominated in U.S. dollars, with little exposure to local currencies, restricted to certain specific countries. In addition, certain loans of the Company and its subsidiaries obtained overseas are denominated in foreign currencies, as mentioned in Note 11, as well as liabilities to suppliers and other balances with related parties, as mentioned in Note 8.

(i) Derivatives

The purpose of the derivative instruments contracted by the Company and its subsidiaries is to hedge its operations against risks of foreign exchange and interest rate fluctuations. They are not used for speculative purposes.

The Company realizes operations with derivative instruments with the objective to combine uses and sources of resources within the same currency of the operations. The operations with derivative instruments for currency have a maximum period of twelve months and a medium period of six months.

The derivative instruments used by the Company and its subsidiaries, in the terms of the financial politics, are of high liquidity (Plain vanilla), such as NDF - Non Deliverable Forward ("NDF"), options and swaps. The Company and its subsidiaries do not operate with derivative instruments considered risky.

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As of December 31, 2008, the portfolio of interest rate derivatives, that include, basically, hedge operations against exchange variations and debt swap may be summarized as follows:

<u>Type</u>	<u>In R\$</u>	
	<u>Fair value of outstanding operations (**)</u>	<u>Incurred loss (*)</u>
NDF - Non Deliverable Foward	(106,461)	(21,340)
Options	(43,222)	(2,266)
Swap	(24,360)	(1,104)
		<u>In US\$</u>
<u>Type</u>	<u>Fair value of outstanding operations (**)</u>	<u>Incurred loss (*)</u>
NDF - Non Deliverable Foward	(45,555)	(9,131)
Options	(18,495)	(970)
Swap	(10,424)	(472)

(*) Corresponds to the effect recognized in the income statement with derivative instruments already settled during the year ended December 31, 2008.

(**) Corresponds to the effect in the income statement of the fair value measurement of outstanding operations with derivatives on December 31, 2008.

Due to the rigorous criteria of diversification and allocation of the Company and its subsidiaries portfolio, the counterparties of the operations with derivative instruments have not demanded any value in cash, letter of credit, financial applications or any type of margin deposit, to guarantee the fair value not accomplished referring to the operations that are still open.

The derivative financial instruments are contracted with first-class financial institutions in Brazil and overseas.

For the year ended December 31, 2008, the Company prepared a sensitivity analysis of the operations with derivatives, taking into consideration: (i) probable scenario of realization of the instruments ; (ii) scenario with the deterioration of 25% of the hedge variable considered; and (iii) scenario with deterioration of 50% of the hedge variable considered.

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There is no variation in the probable scenario, as the carrying amount was determined by reference to fair value. Thus, in the sensitivity analysis demonstrated below, the amounts increased to the fair values of the derivative instruments are:

R\$					
Operation	Hedge Variable	Fair value of outstanding operations	Probable Scenario (i)	Scenario (ii)	Scenario (iii)
NDF - Non Deliverable Foward	US\$	(106,461)		(44,984)	(64,634)
Options (collar)	US\$	(43,222)		(27,465)	(37,282)
Swap	US\$	(24,360)		(19,657)	(32,761)
US\$					

Operation	Hedge Variable	Fair value of outstanding operations	Probable Scenario (i)	Scenario (ii)	Scenario (iii)
NDF - Non Deliverable Foward	US\$	(45,555)		(19,249)	(27,657)
Options (collar)	US\$	(18,495)		(11,752)	(15,953)
Swap	US\$	(10,424)		(8,411)	(14,019)

19 Other income (expenses), net

	2008	2007
	US\$	R\$
Loss due to the strike price (Note 9 (a) (ii))	(27,003)	(63,107)
Provision/write-off SDM projects (Note 1 (i))	(35,589)	(83,171)
Investments disposals gain (Note 1 (ii))		139,733
Result of porperty and equipment disposals	(33,166)	(45,827)
Others	(4,727)	(15,924)
	(100,485)	(234,834)
		25,181

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20 Operating lease

The future minimum payments of non-cancelable operating leases are presented below:

	US\$	2008	2007	R\$
Until one year	3,424	8,002		6,022
Between one and five years	5,347	12,496		12,216
Over five years	1,967	4,598		
	10,738	25,096		18,238

* * *

Attachment I

Construtora Norberto Odebrecht S.A. and its subsidiaries

Additional information (not audited)

Consolidated statement of added value Year ended December 31, 2008 In thousands of reais and U.S. dollars

	<u>US\$</u>	<u>R\$</u>
Generation of value added	7,273,741	16,998,736
Revenues from construction contracts	7,242,355	16,925,384
Others revenues	31,386	73,352
Inputs acquired from third parties	(4,653,841)	(10,876,028)
Outsourced services	(2,279,541)	(5,327,288)
Cost of materials	(1,865,170)	(4,358,903)
Administrative expenses (materials, energy and other expenses)	(509,130)	(1,189,837)
Gross value added	2,619,900	6,122,708
Depreciation and amortization	(198,738)	(464,451)
Net value added generated	2,421,162	5,658,257
Value added from transfers	41,728	97,518
Equity in associated companies	(107,031)	(250,131)
Financial revenues	148,759	347,649
Value added to distribute	2,462,890	5,755,775
Distribution of added value	2,462,890	5,755,775
Personnel	1,332,309	3,113,607
Work remuneration	1,243,846	2,906,868
Benefits	43,803	102,368
Payroll charges	44,660	104,371
Taxes and contributions	279,730	653,728
Federal	226,292	528,844
State	5,306	12,399
Municipal	48,132	112,485
Third parties capital remuneration of	602,969	1,409,140
Interest	432,361	1,010,428
Rents	170,608	398,712
Own capital remuneration	247,882	579,300
Interest on own capital	108,943	254,600
Retained earnings	143,096	334,415
Minority interest	(4,157)	(9,715)

APPENDIX A
SUMMARY OF CERTAIN DIFFERENCES BETWEEN BRAZILIAN GAAP AND U.S. GAAP

General Information

As set out under “Presentation of Financial and Other Information”, our financial statements as of and for the years ended December 31, 2007, 2008 and 2009 and as of and for the six months ended June 30, 2010 and 2009 are prepared and presented in accordance with Brazilian GAAP. Accounting practices adopted in Brazil include those established by Brazilian corporate law (Law No. 6,404/76, as amended, including the amendments introduced by Law 11,638).

Brazilian GAAP differs from generally accepted accounting principles in the United States, or U.S. GAAP. There are certain differences between Brazilian GAAP and U.S. GAAP which may be relevant to the financial information presented herein. We are responsible for preparing the summary below. We have made no attempt to identify or quantify the impact of these differences for all the periods presented. We have summarised certain aspects of those differences, but this summary should not be construed to be exhaustive. Brazilian GAAP is stated more generally than U.S. GAAP and the body of pronouncements in which Brazilian GAAP is set forth is less comprehensive than in the case of U.S. GAAP. Since no reconciliation to U.S. GAAP of the consolidated financial statements presented in this offering memorandum or their respective footnotes has been prepared for the purposes of this offering memorandum or for any other purposes, no assurance is provided that the following summary of differences between Brazilian GAAP and U.S. GAAP is complete. This summary does not address differences related solely to the classification of amounts in the financial statements or footnote disclosures.

In making an investment decision, prospective investors must rely upon their own examination of Construtora Norberto Odebrecht S.A., the terms of the offering and the financial information herein. Potential investors should consult their own professional advisers for an understanding of the differences between Brazilian GAAP and U.S. GAAP, and how those differences might affect the financial information herein. Future differences between Brazilian GAAP and U.S. GAAP resulting from changes in accounting standards or from transactions or events that may occur in the future have not been taken into account in this summary and we have not attempted to identify them, including ongoing projects of the regulatory bodies that promulgate Brazilian GAAP and U.S. GAAP that can affect future comparisons between Brazilian GAAP and U.S. GAAP, such as this summary.

Monetary Correction of Financial Statements

Due to the highly inflationary conditions which have prevailed in Brazil in the past, a form of inflation accounting, referred to as monetary correction, has been in use for many years to minimise the impact of distortions in financial statements caused by inflation. However, from January 1, 1996, no inflation accounting adjustments are permitted for financial statements prepared under Brazilian GAAP.

Under U.S. GAAP, in most cases, the price-level restatement of financial statements is not permitted. However, price level restatement is permitted for companies operating in hyper-inflationary environments, where inflation has exceeded 100.0% over the last three years, and who report in local currency. Until June 30, 1997, Brazil was considered to have a hyper-inflationary economy.

Foreign Currency Translation

Under Brazilian GAAP, the financial statements of subsidiaries operating in non-highly-inflationary currency environments are translated using the current exchange rate. Financial statements of entities operating in highly inflationary currency environments are generally adjusted for the effects of inflation prior to translation. Translation gains and losses are taken into the income statement.

Under U.S. GAAP, FASB Codification (“ASC”) 830 provides for two different translation methodologies, depending on which is the functional currency of the subsidiary. For subsidiaries operating in highly-inflationary environments (a cumulative inflation rate of approximately 100.0% or more over a three-year period) the reporting currency is considered to be the functional currency.

When the functional currency of the subsidiary is the local currency, the translation of foreign currency financial statements from the local currency to the reporting currency should be made using the current exchange rate for all assets and liabilities. Revenue and expenses should be translated at the exchange rate on the dates when they were recognised. Translation gains and losses are reported as a separate component of stockholders' equity. When the functional currency of the subsidiary is a currency other than the local currency, including the reporting currency, the methodology differs in that the translation gain and losses should be recognised in income.

Equity Method of Accounting

Under Brazilian GAAP, a company is required to record an original investment in the equity of another entity at cost which is there after periodically adjusted to recognise the investor's share of the investee's earnings or losses after the date of original investment. A Brazilian parent company is required to use the equity method of accounting to record investments when the investor has significant influence, when it owns 20.0% or more of the voting capital of the investee, or when the investee is under common control with the reporting company, in all cases irrespective of the materiality of the investment.

Under U.S. GAAP, the equity method of accounting is applicable to those investments: (i) in which the parent company's participation through common voting stock is greater than 20.0% and less than 50.0% and where the parent company does not have control; or (ii) in which the parent company's participation through common voting stock is less than 20.0%, but the parent company exerts significant influence. The equity method of accounting is not an appropriate substitute for consolidation and, where consolidated financial statements are required, unconsolidated financial statements are not reported.

Consolidation and Proportional Consolidation

Under Brazilian GAAP, companies should consolidate the following entities: (i) entities in which the company has voting rights that provide it with the ability to have the majority on corporate decisions or to elect the majority of the members of both the Administrative Council and the Board; (ii) overseas branches; and (iii) companies under common control or controlled by stockholders' agreements irrespective of their participation in voting stock. Joint ventures (including investees in which the company exerts significant influence through its participation in a stockholders' agreement in which such group controls the investee) are to be accounted for under the proportional consolidation method. Additionally, companies are required to consolidate special-purpose entities ("SPE") when the nature of its relationship with the reporting company indicates that the activities of the SPE are controlled or joint-controlled, directly or indirectly, by the reporting company.

Under Brazilian GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as "minority interest". Minority interest is presented after the liability section and before shareholders equity in the balance sheet and the portion of net income corresponding to minority interest is deducted in arriving to net income.

Under U.S. GAAP, two models exist which should be assessed to determine whether an entity should be consolidated: the voting interest model and the variable interest model. An initial analysis should be made to conclude whether consolidation is required under the variable interest model established by ASC 810-10. If an entity is not required to be consolidated under the variable interest model it should be assessed if consolidation is required under the voting interest model.

Under the voting model, the usual condition for consolidation is ownership of a majority voting interest, and therefore, as a general rule, ownership by one company, directly or indirectly, of over 50.0% of the outstanding voting shares of another company. Joint ventures are usually accounted following the equity method of accounting. Proportional consolidation generally is not allowed under U.S. GAAP.

ASC 810-10 requires consolidation of "variable interest entities". Variable interest entities are entities with the following characteristics: (i) the equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; and (ii) the equity investors lack one or more of the following essential characteristics of a controlling financial interest: (a) the direct or indirect ability to make

decisions about the entity's activities through voting rights or similar rights, (b) the obligation to absorb the expected losses of the entity if they occur, which makes it possible for the entity to finance its activities and (c) the right to receive the expected residual returns of the entity if they occur, which is the compensation for the risk of absorbing the expected losses. Specific disclosures are required to be made in financial statements regarding variable interests.

Under U.S. GAAP the portion of net assets and net income of a subsidiary owned by shareholders other than the reporting entity is identified as a "non-controlling interest". Non-controlling interests are presented as part of shareholders equity in the balance sheet and the portion of net income corresponding to non-controlling interests is not deducted in arriving to net income.

Business Combinations, Purchase Accounting and Goodwill

Under Brazilian GAAP, combinations are not specifically addressed by accounting pronouncements. Application of the purchase method is generally based on book values. Goodwill or negative goodwill recorded on the acquisition of a company is generally calculated as the difference between the cost of acquisition and the net book value. Goodwill is amortised over a period not to exceed ten years with immediate amortisation accepted. Negative goodwill may be recorded in income over a period consistent with the period over which the investee is expected to incur losses or otherwise is normally only realised upon disposal of the investment.

Under U.S. GAAP, ASC 805, requires, among other things, that all business combinations, except those involving entities under common control, be accounted for by the purchase method. Under the purchase method, the acquiring company records identifiable assets and liabilities acquired based on their fair values. Goodwill and other intangible assets with indefinite lives are not amortised. The amount of goodwill is evaluated for impairment at least annually or when circumstances indicate impairment has occurred, and in the case of impairment, its recorded value will be adjusted accordingly. The purchase price does not include direct costs of acquisition. If assets other than cash are distributed as part of the purchase price, such assets should also be valued at fair value, at the date of the consummation of the transaction. The excess of fair value of net assets acquired over the purchase price, referred to as negative goodwill, is allocated to reduce non-current assets to zero, and any remaining unallocated balance is recognised as an extraordinary gain in the statement of operations.

Marketable Debt and Equity Securities

Under Brazilian GAAP, the Central Bank establishes the criteria by which securities are classified, based on the investment strategy of the financial institution as either trading securities, available for sale or held-to-maturity, and defines the recognition of the fair market value of such securities as the basis for its presentation in the financial statements, except in the case where the investment strategy is to hold the investment until maturity. Recognition of changes in fair market value for trading securities is in income, while for available for sale securities it is directly in stockholders' equity. An impairment loss for security classified as "available-for-sale" or "held-to-maturity" whose cost exceeds its fair value is required to be recorded when such loss is considered permanent. No specific guidance exists under Brazilian GAAP on how to determine fair value.

Under U.S. GAAP, in accordance with ASC 320, marketable securities are carried at: (i) amortised cost (debt securities held to maturity); (ii) market value, with gains and losses reflected in income (debt and equity securities classified as trading account securities); and (iii) market value, with gains and losses reflected in equity (debt and equity securities classified as available for sale). Under U.S. GAAP an impairment loss is recognised when the loss is considered to be other-than-temporary. U.S. GAAP includes several standards that prescribe how to determine fair value and a hierarchy on criteria for determining fair values exists.

Comprehensive Income

Brazilian GAAP does not recognise the concept of comprehensive income.

Under U.S. GAAP, ASC 220 requires the disclosure of comprehensive income. Comprehensive income is composed of net income and "other comprehensive income" that includes charges or credits taken directly to equity that are not the result of transactions with owners. Examples of other comprehensive income items are cumulative

translation adjustments, unrealized gains and losses for available-for-sale securities, as well as the effects of cash flow hedge accounting and the funded status of pension and other post-retirements benefits.

Accounting for Guarantees by a Guarantor

Under Brazilian GAAP, guarantees granted to third parties are recorded in memorandum accounts. When fees are charged for issuing guarantees, the fee is recognised in income over the period of the guarantee. When the guaranteed party has not honoured its commitments and the guarantor should assume a liability, a credit is recognised against the guaranteed party representing the right to seek reimbursement for such party with recognition of the related allowance for losses when considered appropriate.

Under U.S. GAAP, ASC 460 requires that a guarantor is required to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Specific disclosures of guarantees granted are also required.

Accrued Interest, Indexation Adjustments and Gains and Losses

Under Brazilian GAAP, accrued interest and indexation adjustments are presented with the principal amounts in the balance sheet. Income from financial intermediation and expenses from financial intermediation in the statement of income comprise interest, indexation adjustments, foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, as well as realised and unrealised gains and losses on securities and derivative instruments.

Under U.S. GAAP, accrued interest and indexation adjustments would be separately recorded in the balance sheet. Foreign exchange gains and losses on interest-earning assets and interest-bearing liabilities, realised and unrealised gains and losses on securities and realised and unrealised gains and losses on derivative instruments would be presented as separate lines in the statement of income and separated from interest income.

Income Taxes

Under Brazilian GAAP, the recognition of tax credits derived from temporary differences and tax losses is an area that requires considerable judgement. In general, tax credits are recognised when there is evidence of future realisation in a continuous operation.

Under U.S. GAAP, the liability method is used to calculate the income tax provision, as specified in ASC 740. Under the liability method, deferred tax assets or liabilities are recognised with a corresponding charge or credit to income for differences between the financial and tax basis of assets and liabilities to each year/period end. Deferred taxes are computed based on the enacted tax rate of income taxes. Net operating loss carry-forwards arising from tax losses are recognised as assets. A valuation allowance is recognised against a deferred tax asset if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised. Benefits related to uncertain tax positions are recognised only when it is “more likely than not” that the benefit will be realised and requires additional disclosures with respect to uncertain tax positions.

Earnings Per Share

Under Brazilian GAAP, disclosure of earnings per share is generally computed based on the number of shares outstanding at the end of the year while computing it based on average number of shares outstanding is also acceptable.

Under U.S. GAAP, in accordance with ASC 260, the presentation of earnings per share includes earnings per share from continuing operations and net income per share on the face of the income statement, and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note to the financial statements. A dual presentation is required: basic and diluted. Computations of basic and diluted earnings per share data should be based on the weighted average number of common shares outstanding during the period and all potentially dilutive common shares outstanding during each

period presented, respectively.

Typically, a participating security is entitled to share in a company's earnings, often via a formula tied to dividends on the company's common shares. When an instrument is deemed to be a participating security, it has the potential to significantly reduce basic earnings per common share because the two-class method must be used to compute the instrument's effect on earnings per share. The consensus also covers other instruments whose terms include a participation feature. If undistributed earnings must be allocated to participating securities under the two class method, losses should also be allocated. However U.S. GAAP limits this allocation only to situations when the security has: (i) the right to participate in the earnings of the company; and (ii) an objectively determinable contractual obligation to share in net losses of the company.

Segment Information

Under Brazilian GAAP, there is no requirement for financial reporting of operating segments.

Under U.S. GAAP, publicly-held companies should report both financial and descriptive information about their reportable operating segments. Reportable operating segments are defined as those about which separate financial information is available and is regularly evaluated by the chief decision-maker. Segment information is given about any operating segment that broadly accounts for 10.0% or more of all segment revenue, results of operating activities or total assets. Generally, companies will report financial information on the basis used internally for evaluating segment performance. Financial information to be disclosed includes segment profit or loss, certain specific revenue and expense items and segment assets, as well as reconciliation of total segment revenues, profit or loss and assets to the corresponding amounts in the financial statements.

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