Financial Statements

Camargo Corrêa Infra Construções S.A.

December 31, 2018
with Independent Auditor's Report

Camargo Corrêa Infra Construções S.A.

Financial statements

December 31, 2018

Contents

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A free translation from Portuguese into English of independent auditor's report on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

Independent auditor's report on financial statements

To the Shareholders, Board of Directors and Officers of
Camargo Corrêa Infra Construções S.A.
São Paulo - SP

Opinion

We have audited the financial statements of Camargo Corrêa Infra Construções S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2018 and the statements of profit or loss, of comprehensive income (loss), of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Camargo Corrêa Infra Construções S.A. as at December 31, 2018, its financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Building a better working world

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

São Paulo, March 29, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Marcos Alexandre S. Pupo
Accountant CRC-1SP221749/O-0

Camargo Corrêa Infra Construções S.A.

Statement of financial position
December 31, 2018 and 2017
(In thousands of reais - R$)

	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	4	**7,506**	5,586
Marketable securities	4	**-**	40,899
Trade accounts receivable	5	**33,498**	21,143
Related parties	6	**3,169**	4,274
Inventories		**2,172**	215
Assets available for sale	7	**4,333**	569
Other receivables	8	**10,498**	7,292
Total current assets		**61,176**	79,978
Noncurrent assets			
Deferred income and social contribution taxes	12.b	**429**	-
Related parties	6	**65,617**	92,360
Judicial deposits		**-**	136
Other receivables	8	**489**	388
		66,535	92,884
Property, plant and equipment	9	**184,891**	116,879
Intangible assets		**42**	61
Total noncurrent assets		**251,468**	209,824
Total assets		**312,644**	289,802
Liabilities and equity			
Current liabilities			
Trade accounts payable		**16,644**	11,700
Loans and financing	11	**6,196**	3
Related parties	6	**2,981**	450
Payroll, vacation and charges payable	10	**7,889**	9,504
Taxes payable		**3,627**	2,228
Dividends proposed		**-**	4,408
Advances from customers		**261**	-
Costs to be incurred		**-**	14,574
Other obligations		**1,901**	360
Total current liabilities		**39,499**	43,227
Noncurrent liabilities			
Loans and financing	11	**13,884**	-
Deferred income and social contribution taxes	12.b	**-**	10,502
Related parties	6	**35,128**	-
Provision for labor, tax and civil contingencies	13	**97**	6
Total noncurrent liabilities		**49,109**	10,508
Equity			
Capital	14	**259,710**	224,587
Income reserves		**-**	11,480
Accumulated losses		**(39,674)**	-
Total equity		**220,036**	236,067
Future capital contributions	14	**4,000**	-
Total equity and capitalizable funds		**224,036**	236,067
Total liabilities and equity		**312,644**	289,802

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of profit or loss
Years ended December 31, 2018 and 2017
(In thousands of reais - R$, except for loss per share)

	Note	2018	2017
Service revenue	15	**115,033**	132,802
Costs of services	16	**(140,500)**	(141,548)
Gross loss		**(25,467)**	(8,746)
Operating income (expenses)			
General and administrative expenses	16	**(44,836)**	(16,621)
Other operating income (expenses), net	16	**(7,853)**	73
Loss before finance income (costs)		**(78,156)**	(25,294)
Finance income	17	**3,570**	4,114
Finance costs	17	**(1,481)**	(683)
Exchange gains (losses), net	17	**539**	-
		2,628	3,431
Loss before income and social contribution taxes		**(75,528)**	(21,863)
Income and social contribution taxes			
Deferred	12.a	**25,374**	6,128
Net loss for the year		**(50,154)**	(15,735)
Basic and diluted loss per share	14	**(1.84)**	(1.09)

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of comprehensive income (loss)
Years ended December 31, 2018 and 2017
(In thousands of reais - R$)

	2018	2017
Net loss for the year	**(50,154)**	(15,735)
Other comprehensive income (loss)	**-**	-
Total comprehensive income (loss) for the year	**(50,154)**	(15,735)

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of changes in equity
Years ended December 31, 2018 and 2017
(In thousands of reais - R$)

			Earnings reserves					
	Note	Capital	Legal reserve	Equipment renewal reserve	Retained profit reserve	Accumulated losses	Future capital contributions	Total equity
Balances as at January 1, 2017		77,480	1,782	1,782	23,651	-	-	104,695
Capital increase - net assets		97,107	-	-	-	-	-	97,107
Capital increase with funds		50,000	-	-	-	-	-	50,000
Loss for the year		-	-	-	-	(15,735)	-	(15,735)
Absorption of loss for the year		-	-	-	(15,735)	15,735	-	-
Balances as at December 31, 2017		224,587	1,782	1,782	7,916	-	-	236,067
Dividend payment	14	**-**	**-**	**-**	**(1,000)**	**-**	**-**	**(1,000)**
Capital increase - net assets	14	**35,123**	**-**	**-**	**-**	**-**	**-**	**35,123**
Future capital contributions	14	**-**	**-**	**-**	**-**	**-**	**4,000**	**4,000**
Loss for the year		**-**	**-**	**-**	**-**	**(50,154)**	**-**	**(50,154)**
Absorption of loss for the year		**-**	**(1,782)**	**(1,782)**	**(6,916)**	**10,480**	**-**	**-**
Balances as at December 31, 2018		**259,710**	**-**	**-**	**-**	**(39,674)**	**4,000**	**224,036**

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of cash flows
Years ended December 31, 2018 and 2017
(In thousands of reais - R$)

	2018	2017
Cash flow from operating activities		
Loss before income and social contribution taxes	**(75,528)**	(21,863)
Adjustments to reconcile loss before income and social contribution taxes with net cash provided by (used in) operating activities		
Depreciation and amortization (Note 16)	**2,103**	687
Reversal (set up) of provision for impairment - property, plant and equipment (Note 16)	**(974)**	6,198
Allowance for doubtful accounts (Note 16)	**4,198**	-
Accrued interest and charges (Note 17)	**818**	-
Interest on marketable securities (Note 17)	**(239)**	(1,249)
Interest on intercompany loans (Note 17)	**(2,252)**	(2,796)
Set up (reversal) of provision for labor contingencies	**91**	(3)
Loss on disposal of property, plant and equipment	**2,995**	111
Decrease (increase) in operating assets		
Trade accounts receivable	**(13,486)**	(10,171)
Transactions with related parties	**(5,904)**	(5,309)
Inventories	**(1,957)**	492
Judicial deposits	**136**	(68)
Other receivables	**(6,184)**	(6,903)
Increase (decrease) in operating liabilities		
Trade accounts payable	**4,944**	(970)
Transactions with related parties	**12,770**	(1,186)
Payroll, vacation and charges payable	**(1,615)**	6,141
Income and social contribution taxes payable	**-**	1,809
Taxes payable	**1,399**	(895)
Advances from customers	**261**	(22,815)
Other obligations and costs to be incurred	**(6,630)**	13,712
Cash used in provided by operations	**(85,054)**	(45,078)
Interest paid on loans and financing	**(825)**	-
Income and social contribution taxes paid	**-**	(3,451)
Net cash used in operating activities	**(85,879)**	(48,529)
Cash flow from investing activities		
Marketable securities	**41,138**	(36,448)
Acquisition of PP&E (Note 9)	**(2,105)**	(1,651)
Cash from the disposal of PP&E	**4,176**	965
Net cash (used in) provided by investing activities	**43,209**	(37,134)
,		
Cash flow from financing activities		
Intercompany loans	**49,892**	23,700
Capital increase (Note 14)	**-**	50,000
Dividend payment (Note 14)	**(1,000)**	-
Advance for future capital contributions (Note 14)	**4,000**	-
Repayment of loans and financing	**(8,302)**	(18)
Net cash used in financing activities	**44,590**	73,682
Increase (decrease) in cash and cash equivalents	**1,920**	(11,981)
Cash and cash equivalents at beginning of year (Note 4)	**5,586**	17,567
Cash and cash equivalents at end of year (Note 4)	**7,506**	5,586

See accompanying notes.

(In thousands of reais - R$, unless otherwise stated)

1. Operations

Camargo Corrêa Infra Construções S.A. (the “Company”), previously named Camargo Corrêa Infraestrutura S.A., was organized on September 3, 2009, with the following main objects: (i) exploration of services in planning and performing civil construction and civil engineering projects, including earthworks, in the capacity as a contractor, carrying out management and other allowed services; (ii) construction, operation and assembly of Power Lines, hydroelectric and wind power plants and photovoltaic solar panels; (iii) construction, operation, maintenance and assembly of gas and oil pipelines; (iv) provision of public utility services by concession; (v) provision of public cleaning, environmental and urbanization services; (vi) provision of real estate management services; (vii) mining in general, by the company itself and/or through third parties, including the exploration and use of mines and trading of ore, including hydrocarbons; (viii) provision of services in waterway transportation and support and port operation services; (ix) provision of services in the industrial assembly of modules and maritime rigs for prospecting, producing and storing oil and gas and similar equipment; (x) execution of technical civil engineering installations, industrial assembly; (xi) provision of services in consulting, planning, support and technical surveys and studies; (xii) representation, import, export, lease, sale and purchase of transportation equipment; (xiii) exploration of activities in the naval industry, seeking to prepare projects, construction and execution of repairs, maintenance and modernization of vessels, including maritime rigs for prospection, production and storage of oil and gas; (xiv) planning and execution of any related and/or derived activities in connection with those referred in items (i) to (xiii) above; and (xv) direct or indirect interest in the capital of other entities whose object is similar to that of the Company, as well as the organization of consortiums.

Reorganization

On March 30, 2018, holding company Camargo Corrêa Construções e Participações S.A. (“CCCP”) partially split-off the assets, rights and obligations of subsidiary Construções e Comércio Camargo Corrêa S.A. (“CCCC”) at book value based on the statement of financial position of February 28, 2018, with transfer of the split-off portion of the net assets to the Company. The split-off net asset portion is substantially represented by the following items:

	28/02/2018
Noncurrent assets:	
Equipment (Note 9)	**77,952**
Noncurrent liabilities:	
Deferred income and social contribution taxes (Note 21)	**(14,443)**
Loans and financing (Note 21)	**(28,386)**
Net assets acquired	**35,123**

1. **Operations** (Continued)

Reorganization (Continued)

On March 30, 2018, CCCP paid R$35,123 referring to the investment in the Company, as capital increase of CCCC, at book value. Subsequently, CCCC paid R$35,123, with the transfer of interest in the Company, as capital increase in Camargo Corrêa Infra Participações S.A. (“CCIP”).

The Company presented gross and net loss for the years ended 2018 and 2017, mainly due to restructuring actions to establish the companies of the CCInfra Group set up by the Company, by parent company Camargo Corrêa Infra Participações S.A. and Camargo Corrêa Infra Projetos S.A. The operations for the year correspond to legacy projects, received through the spin-off, mentioned above, which are in the closing phase. The new agreements of the Group set forth improvements in the profitability of its operations for the coming years.

2. Presentation of the financial statements

The financial statements were prepared in accordance with accounting policies adopted in Brazil, which encompass corporate legislation and the standards, guidance and interpretations issued by the Brazilian FASB (CPC) and approved by Brazil’s National Association of State Boards of Accountancy (CFC). Company management presents all relevant information of the financial statements and this information corresponds to what is used by the Company in its management, in line with OCPC 07, issued by the CPC.

The Company adopted all standards, revised standards and interpretations issued by CPC effective at December 31, 2018.

The financial statements were prepared based on the historical cost, except for certain financial instruments, measured at fair value, as described below. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

Estimates

The financial statements were prepared under various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of the financial statements were based on both objective and subjective factors and on management’s judgment to determine the appropriate amount to be recorded in the financial statements.

2. Presentation of the financial statements (Continued)

Estimates (Continued)

Significant items subject to these estimates and assumptions include review of costs and revenues from construction contracts, selection of useful lives and recoverability of property, plant and equipment, measurement of financial assets at fair value and under the present value adjustment method, credit risk analysis to determine the allowance for doubtful accounts, recognition/reversal of deferred income and social contribution taxes, as well as analysis of other risks to determine other provisions, including provision for contingencies.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimate process. The Company reviews its estimates and assumptions at least once a year.

Management approved these financial statements for disclosure on March 29, 2019.

3. Summary of significant accounting policies

Significant policies adopted were as follows:

3.1. Cash and cash equivalents and marketable securities

Cash equivalents consist of short-term investments maturing within 90 days, or with repurchase commitments, promptly convertible into cash and with insignificant risks of change in value.

Marketable securities are represented by fixed income funds, exclusive funds and debentures, classified at: (a) fair value through profit or loss or (b) amortized cost. Securities classified at fair value have their effects recognized in profit or loss.

3. Summary of significant accounting policies (Continued)

3.2. Trade accounts receivable and allowance for doubtful accounts

These are stated at realizable values. These also include amounts not billed through the statement of financial position date based on construction contracts, whose amounts are determined by the percentage-of-completion method.

They are recorded and held in the statement of financial position at the nominal value of securities, adjusted to present value, when applicable. The allowance for doubtful accounts is recorded based on the evaluation of the impact on estimated future credit losses. The Company deemed the effects of the first-time adoption of CPC 48 - Financial Instruments as immaterial.

3.3. Inventories

These comprise construction materials measured at average acquisition costs, which are lower than realizable values.

3.4. Property, plant and equipment

Property, plant and equipment are stated at cost, less depreciation and impairment, if applicable. Depreciation is recognized based on the useful life of each asset using the straight-line method or other systematic basis representing the time when economic benefits are used. Assets based on straight-line useful life have the following annual rates: real estate - 4%; machinery and equipment, vehicles, IT equipment and other - 10% to 25%; furniture and fixtures - 10%; and leasehold improvements, according to contractual terms. The useful lives of property, plant and equipment are annually valued. The Company depreciates machinery and equipment based on the hours actually used. This procedure reflects the pattern of use of expected economic benefits. At December 31, 2018, the Company, through a specialized company, reviewed the recoverable amount of assets and concluded that the effects were not material. No evidence was identified for changes in the useful lives of PP&E.

3.5. Employee benefits

Benefits granted to Company’s employees and managing officers include, in addition to fixed compensation (salaries, social security contributions (INSS), vacation pay and 13th monthly salary), variable compensation, such as profit sharing and bonus payments. These benefits are recorded to profit or loss for the year when the Company has a liability accounted for on an accrual basis, as incurred.

3. Summary of significant accounting policies (Continued)

3.6. Lease agreements

The characterization of an agreement as (or if it contains) a lease is based on the substance of the agreement on the date of its execution. The agreement is (or contains) a lease if the compliance with this agreement is dependent on the use of a specific asset (or assets) and the agreement transfers the right to use a certain asset (or assets), even if this asset (or these assets) is/are not explicit in the agreement.

Finance leases that transfer basically all the risks and rewards of ownership of the leased item to the Company are capitalized at the beginning of the lease at fair value of the leased asset or, if lower, the present value of minimum lease payments.

Initial direct costs are also added to the amount capitalized, when applicable. Finance lease payments are allocated to finance charges less finance lease liabilities so as to achieve a constant rate of interest on the remaining liability balance.

Finance charges are recognized in the statement of profit or loss. The leased assets are depreciated over their useful lives. However, when there is no reasonable guarantee that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term. An operating lease is different from a finance lease. Operating lease payments are recognized as an expense in the statement of profit or loss on a straight-line basis over the lease term.

3.7. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to their contractual provisions and are initially measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties on an arm's length basis. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities are accrued or deducted from the fair value of financial assets or liabilities, if applicable, after initial recognition, except for financial assets and liabilities recognized at fair value in the statement of profit or loss for the year.

3. Summary of significant accounting policies (Continued)

3.7. Financial instruments (Continued)

Financial assets

The classification of assets is determined upon initial recognition in the following categories:

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

(a) Acquired primarily to be sold in the short term; or

(b) Upon initial recognition, it is part of a portfolio of identified financial instruments that the Company jointly manages and has a recent actual pattern of short-term profits; or

(c) It is a derivative that is not designated as an effective hedging instrument.

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

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

3. Summary of significant accounting policies (Continued)

3.7. Financial instruments (Continued)

Derecognition (write-off) of financial assets

A financial asset (or, whenever the case, a portion of a financial asset or a portion of a group of similar financial assets) is derecognized when: a) the rights to receive cash flows from the asset have expired; b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to fully pay the cash flows received, without significant delay to a third party under an on-lending agreement; and (i) the Company has transferred substantially all risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control over the asset.

When the Company has transferred its rights to receive cash flows from the asset or has executed an on-lending agreement, and has neither transferred nor retained substantially all risks and rewards of the asset, an asset is recognized to the extent of the Company's continued involvement with the asset. In this case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations of the Company.

The continuous involvement as a guarantee over the transferred asset is measured at the original book value of the asset or by the maximum consideration required by the Company, whichever is lower.

Impairment test of financial assets

CPC 48 replaces the "incurred losses" model of CPC 38 with a prospective "expected losses" model. This new model applies to financial assets measured at amortized cost, except for investments in equity instruments and contractual assets.

The Company had no material effects on credit losses, given the favorable conditions of its counterparties.

3. Summary of significant accounting policies (Continued)

3.7. Financial instruments (Continued)

Financial liabilities

These are classified as "Financial liabilities at fair value through profit or loss" or "Other financial liabilities".

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

(ii) *Amortized cost*: it includes loans and financing initially measured at fair value, net of transaction costs. Subsequently, they are measured at amortized cost using the effective interest rate method, and finance cost is recognized based on the actual yield.

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

Revenue is recognized based on effective interest for debt instruments not characterized as financial assets at fair value through profit or loss.

Net presentation of financial assets and liabilities

Financial assets and liabilities are presented net in the statement of financial position if, and only if, there is a current enforceable legal right of offsetting the amounts recognized and if there is the intention to offset or realize the asset and settle the liability simultaneously.

Derivative financial instruments

Derivatives are initially recognized at fair value on the contracting date and are subsequently remeasured at fair value at the end of each year. Any gains or losses are recognized in profit or loss immediately, unless the derivative is designated and effective as a "cash flow hedge"; in this case, recognition in profit or loss depends on the nature of the hedge relationship. The Company had no derivative financial instruments at December 31, 2018 and 2017.

3. Summary of significant accounting policies (Continued)

3.8. Construction contracts and onerous contracts

Service revenue is determined and recognized by virtue of the evolution of each construction. Revenue comprises the initial amount agreed in the contract plus variations resulting from additional requests, complaints and contractual incentive payments, provided that it is virtually certain that they will result in revenue and can be reliably measured.

Contract revenue is recognized in the statement of profit or loss in accordance with POC in the light of CPC 47. The costs of each contract are recognized as profit or loss in the period in which they are incurred, unless they determine an asset related to the future contract activity.

When profit or loss from a construction contract cannot be reliably estimated, its revenue is recognized up to the amount of costs incurred as long as its recovery is probable. If it is probable that total costs will exceed total contract revenue (characterizing an onerous contract), the loss relating to the excess between contracted revenue and estimated total cost is recognized immediately in profit or loss for the year in "Cost of services", matched against "Other obligations".

The amounts received prior to the provision of the corresponding services are recorded in the statement of financial position as liabilities in "Advances from customers". The amounts billed or unbilled recorded based on the service performed per construction, but not yet paid by the customer, are recorded in the statement of financial position as an asset in "Trade accounts receivable".

This conclusion was obtained through the analysis of construction contracts in progress, as well as the current procedures for revenue recognition.

Currently, the Company already carries out the accounting records based on CPC 47 - Revenue from Contracts with Customers, and performance obligations are already recognized in accordance with each contract and its amendments. In the management's opinion, there will be no significant variations in the determination of the impacts of contractual amendments and whether they will be considered a separate contract, part of the original contract or termination of the original contract and creation of a new one.

In the management's opinion, the Company will continue to meet at least one of the criteria necessary for the continued recognition of revenue over time.

3. Summary of significant accounting policies (Continued)

3.9. Impairment of tangible assets

At the end of each year, the Company reviews its tangible assets with a finite useful life to determine if there is any indication that such assets have impaired. If there is any indication, the recoverable amount of the asset is estimated for the purpose of identifying the need for provision for loss. When it is not possible to estimate the recoverable amount of an asset individually, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of a calculated asset is lower than its book value, the book value of the asset is reduced to its recoverable amount. Impairment loss is recognized immediately in the statement of profit or loss.

3.10. Income and social contribution taxes

3.10.1. <u>Current taxes</u>

Income taxes comprise both income and social contribution taxes. Income tax is calculated at a rate of 15%, plus a 10% surtax on taxable profit exceeding R$240 over 12 months, whereas social contribution tax is computed at a rate of 9% on taxable profit, both recognized on an accrual basis; therefore, additions to book income deriving from temporarily nondeductible expenses or exclusions from temporarily nontaxable income upon determination of current taxable profit generate deferred tax assets or liabilities.

3.10.2. <u>Deferred taxes</u>

Deferred taxes arise from temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their book values. Deferred tax liabilities are recognized for all temporary tax differences, except:

- When the deferred tax liability arises from initial recognition of a goodwill or of an asset or liability in a transaction other than a business combination and does not affect, on the transaction date, the book profit or income or loss for tax purposes.

- On temporary differences related to investments in subsidiaries, when the period for reversal of such differences can be controlled and the temporary differences are not likely to be reversed in the near future.

3. Summary of significant accounting policies (Continued)

3.10. Income and social contributions taxes (Continued)

3.10.2. Deferred taxes (Continued)

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and tax losses to the extent that taxable profit will likely be available so that deductible temporary differences can be realized, and unused tax credits and tax losses can be used, except:

- When the deferred tax asset related to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination and does not affect, on the transaction date, the book profit or income or loss for tax purposes.

- On deductible temporary differences related to investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that temporary differences will be reversed in the coming future and taxable profit will likely be available so that temporary differences can be used.

The book value of deferred tax assets is reviewed at each statement of financial position date and written off to the extent that taxable profits will not likely be available so that deferred tax assets can be used in whole or in part. Deferred tax assets written off are reviewed at each statement of financial position date and recognized to the extent that future taxable profits are likely to allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applicable in the year in which the asset will be realized or the liability settled, based on tax rates (and tax law) in force at the statement of financial position date.

3.11. Basic/diluted earnings (loss) per share

These are calculated by dividing net income (loss) for the year by the average number of outstanding shares during each fiscal year, in accordance with CPC 41 - Earnings per Share.

3. Summary of significant accounting policies (Continued)

3.12. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires management to make judgments and estimates and to adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as disclosures of contingent liabilities, at the financial statement date.

However, uncertainty about these assumptions and estimates could lead to results that would require a material adjustment to the book value of assets or liabilities affected in future periods.

Estimates and assumptions

Key assumptions about sources of uncertainty in future estimates and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the book value of assets and liabilities in the next financial year are described below:

Impairment of nonfinancial assets

An impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. The calculation of fair value less costs to sell is based on information available on sales transactions of similar assets or market prices less additional costs for the disposal of the asset. The Company engaged a specialized company for the purpose of measuring the recoverable amount of significant PP&E at the end of the year ended December 31, 2018. The study considered a fair value analysis based on asset replacement costs and market value less costs to sell the asset.

Revenue recognition, margin of construction contracts and provisions for contracts

Construction contracts correspond to construction carried out, and gross revenue is recognized in profit or loss based on the proportion of work performed through the statement of financial position date and calculated by the proportion of costs incurred, as opposed to total estimated costs of the contract (POC), as set forth in CPC 47 – Revenue from Contracts with Customers.

3. Summary of significant accounting policies (Continued)

3.12. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions (Continued)

Revenue recognition, margin of construction contracts and provisions for contracts (Continued)

When review of the estimated income from contracts indicates that total contract costs exceed total revenue, the estimated loss is immediately recognized as expense in profit or loss for the year.

Estimated income from contracts is reviewed monthly over the contract period and represents the best estimate of future economic contract benefits, in addition to associated risks and obligations.

Taxes

There are uncertainties about the interpretation of complex tax regulations and the amount and timing of future taxable profit or loss. Given the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made, or future changes in such assumptions, could require future adjustments to tax income and expenses already recorded.

Provisions for tax, civil and labor contingencies

The Company recognizes a provision for civil, labor and tax claims. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions.

The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties about the determination process. The Company reviews its estimates and assumptions on a monthly basis.

(In thousands of reais - R$, unless otherwise stated)

3. Summary of significant accounting policies (Continued)

3.13. Consortia

According to CPC 19 (R2) - Joint Arrangements, interests in consortia are classified as joint arrangements with their assets, liabilities, revenues and expenses recognized line by line in asset and liability and profit or loss accounts, proportionally to the percentage of interest in each consortium.

3.14. New, revised standards and interpretations issued

The Company decided not to early adopt any other standard, interpretation or amendment issued but not yet in force. The nature and effectiveness of each of the new standards and amendments are described below:

Pronouncement	Description	Effectiveness
CPC 06 (R2) - Leases	Correlation with international accounting standards – IFRS 16. It refers to the definition and guidance for the lease agreement provided for in IAS 17.	Annual periods beginning on or after January 1, 2019.
ICPC 22 - Uncertainty Over Income Tax Treatments	Correlation with international accounting standards – IFRIC 23. It addresses the recognition of income taxes in cases where tax treatment involves uncertainty that affects the application of IAS 12 (CPC 32) and does not apply to taxes outside the scope of IAS 12, nor does it specifically include the requirements relating to interest and fines associated with uncertain tax treatment.	Annual periods beginning on or after January 1, 2019.

The Company intends to adopt the new standards and/or amendments on the required effective date based on the method applicable to each pronouncement, which may be presented retrospectively or prospectively. In the Company's preliminary assessment, these amendments are not expected to have a significant impact on its financial statements.

(In thousands of reais - R$, unless otherwise stated)

4. Cash and cash equivalents and marketable securities

	Cash and cash equivalents		Marketable securities	
	2018	**2017**	**2018**	**2017**
Cash and banks	**2,913**	48	**-**	-
Repurchase agreements	**-**	-	**-**	37,393
Exclusive fund	**460**	2,496	**-**	3,506
Bank Deposit Certificates (CDBs)	**4,133**	3,042	**-**	-
Total	**7,506**	5,586	**-**	40,899

Short-term investments correspond to transactions held with first-tier national financial institutions in CDBs. These transactions mostly yield based on the CDI variation, under normal market conditions and rates.

At December 31, 2018, the repurchase agreements and exclusive funds have a yield between 50% and 99.65% (50% and 115% at December 31, 2017) of the Interbank Deposit Certificate (CDI), mainly comprising fixed income investments, National Treasury Bills and Financial Treasury Bills.

The exclusive fund is administered by Banco Itaú, which invests in fixed income, government bonds (SELIC Treasury (LFT) and Fixed Treasury (LTN)), debentures and financial bills of first-tier banks.

5. Trade accounts receivable

<u>Breakdown of accounts receivable</u>

	2018	**2017**
National service provision - unbilled	**26,721**	9,159
National service provision - billed balances	**7,908**	11,984
Subtotal	**34,629**	21,143
Allowance for doubtful accounts	**(1,131)**	-
Total	**33,498**	21,143

(In thousands of reais - R$, unless otherwise stated)

5. Trade accounts receivable (Continued)

Aging list of accounts receivable

	2018	2017
Unbilled	**26,721**	9,159
Falling due	**6,093**	10,189
Overdue - 0 to 30 days	**77**	-
Overdue - 31 to 60 days	**55**	595
Overdue - 61 to 90 days	**232**	1,069
Overdue - 91 to 180 days	**899**	131
Overdue - Above 181 days	**552**	-
Total	**34,629**	21,143

Changes in allowance for doubtful accounts

	2018	2017
Balances at beginning of year	**-**	-
Set up (Note 16)	**(1,131)**	-
Balances at end of year	**(1,131)**	-

6. Related parties

	Current assets		Noncurrent assets		Current liabilities		Noncurrent liabilities	
	2018	2017	2018	2017	2018	2017	2018	2017
Reimbursement of costs								
Construções e Comércio Camargo Corrêa S.A.	**3,160**	2,127	**-**	-	**-**	-	**-**	-
Camargo Corrêa Infra Projetos S.A.	**-**	2,134	**-**	-	**-**	-	**-**	-
Camargo Corrêa Naval Part. Ltda.	**9**	13	**-**	-	**-**	-	**-**	-
Intercompany loan								
Camargo Corrêa Construções e Participações S.A. (a)	**-**	-	**-**	92,360	**-**	-	**-**	-
Construções e Comércio Camargo Corrêa S.A. (a)	**-**	-	**65,617**	-	**-**	-	**-**	-
Camargo Corrêa Infra Projetos S.A. Colombian unit (b)	**-**	-	**-**	-	**-**	-	**17,569**	-
Camargo Corrêa Infra Projetos S.A. (b)	**-**	-	**-**	-	**-**	-	**17,559**	-
Accounts payable								
Construções e Comércio Camargo Corrêa S.A.	**-**	-	**-**	-	**-**	344	**-**	-
Camargo Corrêa Infra Projetos S.A.	**-**	-	**-**	-	**2,801**	-	**-**	-
Consórcio Constr. São Lourenço	**-**	-	**-**	-	**180**	25	**-**	-
Intercement Brasil S.A.	**-**	-	**-**	-	**-**	9	**-**	-
Camargo Corrêa Energia e Indústria S.A.	**-**	-	**-**	-	**-**	72	**-**	-
Total	**3,169**	4,274	**65,617**	92,360	**2,981**	450	**35,128**	-

(a) These represent intercompany loan agreements with no fixed maturity, with interest of 3% p.a.

(b) These represent intercompany loan agreements with fixed maturity, with interest of 3.5% p.a. + Libor with Camargo Corrêa Infra Projetos S.A. Colombian unit and interest of 3% p.a. with Camargo Corrêa Infra Projetos S.A.

(In thousands of reais - R$, unless otherwise stated)

6. Related parties (Continued)

	Revenue		Expense	
	2018	2017	2018	2017
Construction services				
CCR - Conces. Sist. Anhanguera-Bandeirantes	**15,967**	71,720	**-**	-
Consórcio Const. São Lourenço	**16,325**	41,001	**-**	-
Intercement Brasil S.A.	**-**	-	**-**	(282)
Administrative services				
Construções e Comércio Camargo Corrêa S.A.	**4,746**	-	**-**	(1,450)
Camargo Corrêa Infra Projetos S.A - Colombian unit	**539**	-	**-**	-
Camargo Corrêa Infra Projetos S.A.	**-**	1,633	**(30)**	-
Camargo Corrêa Energia e Industria S.A.	**-**	178	**(20)**	-
Camargo Corrêa Naval Participações Ltda	**53**	13	**-**	-
Interest on intercompany loan (Note 17)				
Construções e Comércio Camargo Corrêa S.A.	**189**	-	**-**	-
Camargo Corrêa Infra Projetos S.A. - Colombian unit	**-**	-	**(167)**	-
Camargo Corrêa Construções e Participações S.A.	**2,433**	2,796	**-**	-
Camargo Corrêa Infra Projetos S.A.	**-**	-	**(203)**	-
Total	**40,252**	117,341	**(420)**	(1,732)

Management compensation for the year ended December 31, 2018 was paid by another company of the CCInfra Group.

7. Assets available for sale

These represent equipment and property, plant and equipment for trading. For the year ended December 31, 2018, the Company reclassified the amount of R$3,764 (R$525 in 2017) from PP&E, see Note 9.

8. Other receivables

	2018	2017
Advances to suppliers	**1,804**	1,740
Income and social contribution taxes	**1,591**	2,211
Accounts receivable from consortia (a)	**4,863**	1,495
Accounts receivable from third parties (b)	**2,446**	-
Contractual withholdings with customers	**1,291**	1,062
Vacation pay advance	**347**	271
Prepaid expenses	**1,167**	-
Other	**545**	901
Subtotal	**14,054**	7,680
Allowance for doubtful accounts (Note 16) (a)	**(3,067)**	-
Total	**10,987**	7,680
Classified in current assets	**10,498**	7,292
Classified in noncurrent assets	**489**	388
	10,987	7,680

(In thousands of reais - R$, unless otherwise stated)

8. **Other receivables** (Continued)

(a) At December 31, 2018, it refers to prepayments to consortia above the interest percentage held by the Company, particularly consortia Corredor Bileo Soares R$918 (R$486 in 2017), BRT Salvador R$541 and Terminal de Itaquera R$3,067 (R$993 in 2017), and for this an allowance for doubtful accounts was set up.

(b) It refers to a loan agreement with third parties, maturing on 03/2019 and with interest of 9.2% p.a.

9. Property, plant and equipment

	2018			2017
	Cost	**Accumulated depreciation**	**Residual value**	**Residual value**
Machinery and equipment	**287,634**	**(154,880)**	**132,754**	104,719
Vehicles	**79,388**	**(28,193)**	**51,195**	10,736
IT equipment and other	**56**	**(32)**	**24**	67
Tooling	**-**	**-**	**-**	9
Furniture and fixtures	**5**	**(1)**	**4**	121
Construction in progress	**914**	**-**	**914**	1,227
Total	**367,997**	**(183,106)**	**184,891**	116,879

Changes in PP&E are as follows:

Balance at December 31, 2016	8,846
Additions	1,651
Increase through capital contribution	114,883
Write-offs	(1,106)
Depreciation	(672)
Provision for impairment (Note 16)	(6,198)
Transfer to "assets held for sale"	(525)
Balance at December 31, 2017	116,879
Additions	**2,105**
Increase through capital contribution (Note 1)	**77,952**
Write-offs	**(7,171)**
Depreciation	**(2,082)**
Provision for impairment (Note 16)	**974**
Transfer to intangible assets	**(2)**
Transfer to "assets held for sale" (Note 7)	**(3,764)**
Balance at December 31, 2018	**184,891**

(In thousands of reais - R$, unless otherwise stated)

10. Payroll, vacation and charges payable

	2018	2017
Accrued vacation pay and social charges	**3,977**	5,690
Social Security Tax (INSS)	**793**	1,346
Withholding Tax on salaries	**1,309**	1,175
Unemployment Compensation Fund (FGTS)	**362**	410
Provision for profit sharing	**1,259**	799
Other	**189**	84
	7,889	9,504

11. Loans and financing

At December 31, 2018, the Company has a balance of R$20,080 as loans and financing in the form of FINAME - Financing Fund for the Acquisition of Industrial Machinery and Equipment (R$3 in 2017), with R$6,196 classified in current liabilities and R$13,884 in noncurrent liabilities, maturing until 2024 and with interest rate of 3% to 10% p.a. / TJLP (Long-Term Interest Rate), rate applicable for 2018 of 6.98% (7% in 2017).

At December 31, 2018, the aging list of noncurrent portions is as follows:

2020	4,824
2021	3,777
2022	3,298
2023 to 2024	1,985
Total	13,884

<u>Guarantees</u>

In guarantee of financing in the FINAME BNDES modality, assignments in trust of the acquired equipment were granted.

In such loans and financing, there are no contractual clauses requiring the maintenance of covenants.

(In thousands of reais - R$, unless otherwise stated)

12. Current and deferred income and social contribution taxes

a) Reconciliation of income and social contribution taxes

	2018	2017
Loss before income and social contribution taxes	**(75,528)**	(21,863)
Rates (15% for income tax, plus 10% surtax, and 9% for social contribution tax)	**34%**	34%
Income and social contribution taxes at statutory rates	**25,680**	7,433
Adjustments to determine effective income and social contributions taxes:		
Nondeductible donations	**(209)**	-
Consortium expenses	**(28)**	-
Depreciation	**(59)**	(1,260)
Bonuses to managing officers	**-**	(45)
Other nondeductible expenses	**(10)**	-
	25,374	6,128
Income from deferred income and social contribution taxes	**25,374**	6,128

b) Deferred income and social contribution taxes

	2018	2017
Assets:		
Income and social contribution tax losses	**26,679**	5,830
Temporary differences:		
Provisions for third-party services	**1,768**	27
Provision for profit sharing	**428**	272
Provision for contingencies	**33**	2
Allowance for doubtful accounts (Note 16)	**1,428**	-
Impairment adjustments - Law No. 11638/07	**1,776**	2,107
Noncurrent assets	**32,112**	8,238
Liabilities:		
Unrealized profits - government agencies	**291**	63
PP&E useful life difference	**31,392**	18,677
Noncurrent liabilities	**31,683**	18,740
Net balance in noncurrent assets	**429**	-
Net balance in noncurrent liabilities	**-**	10,502

The realization of deferred income and social contribution taxes has an expected term of less than ten years, according to economic or financial realization.

13. Provision for tax, labor, civil and other contingencies

The Company has lawsuits arising from the ordinary course of business, involving labor, civil and tax claims. The lawsuits involve tax delinquency notices, labor claims referring to overtime differences and charges on severance pay and other claims whose required amounts or taxes may not reflect what will be defined in the final sentence. Based on the opinions of its legal advisors, analysis of lawsuits and experience regarding amounts claimed, the Company recorded a provision of R$97 (R$6 at December 31, 2017) considered sufficient to cover probable losses for ongoing lawsuits. At December 31, 2018, the Company has possible losses amounting to R$974, without considering the provisions for tax contingencies substantially related to Service Tax (ISS) and labor claims.

14. Equity

Capital

At December 31, 2018, capital amounts to R$259,710 (R$224,587 at December 31, 2017), represented by 28,226,525 (24,503,156 at December 31, 2017) registered common shares with no par value.

On March 30, 2018, parent company CCCP paid the amount of R$35,123 through transfer of part of the split-off portion of CCCC's equity by issuing 3,723,369 (three million, seven hundred and twenty-three thousand, three hundred and sixty-nine) registered common shares with no par value.

Legal reserve

It represents 5% of net income for the year, complying with the limit established by law. At December 31, 2018, the Company did not establish reserves due to the absorption of retained earnings with loss for the year.

Equipment renewal reserve

A portion of 5% is allocated to the equipment renewal reserve, subject to a maximum limit of 30% of capital. At December 31, 2018, the Company did not establish reserves due to the absorption of retained earnings with loss for the year.

(In thousands of reais - R$, unless otherwise stated)

14. Equity (Continued)

Retained profit reserve

It is used for the realization of investments and/or payment of accumulated dividends.

Dividends

Shareholders are entitled to minimum dividends of 25% of adjusted net income for each fiscal year, as defined in the Bylaws and the Brazilian Corporation Law.

On October 4, 2018, the Board approved the payment of dividends amounting to R$1,000 to shareholder Camargo Correa Infra Participações S.A. based on the income reserve at December 31, 2017.

Future capital contributions

On May 30, 2018, there was a future capital contribution by shareholder Camargo Correa Infra Participações S.A. amounting to R$4,000.

Loss per share

The reconciliation of net loss with amounts used to calculate basic loss per share is as follows:

	2018	2017
Numerator		
Allocation of net loss for the year to shareholders	**(50,154)**	(15,735)
Denominator		
Weighted average number of shares	**27,326,370**	14,494,872
Basic loss per share (in reais)	**(1.84)**	(1.09)

The Company has no convertible debt or stock options granted that could dilute earnings (loss) per share and presents net loss; accordingly, diluted loss is the same as basic loss.

(In thousands of reais - R$, unless otherwise stated)

15. Revenue

	2018	2017
Gross service revenue - national	**124,598**	142,359
Revenue deductions		
Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) (*)	**(4,677)**	(5,195)
ISS (*)	**(4,140)**	(4,362)
Social Security Contribution (*)	**(748)**	-
	(9,565)	(9,557)
Total	**115,033**	132,802

(*) The Company recognizes taxes levied on revenues based on prevailing tax rates and on an accrual basis, including PIS/COFINS, ISS and Social Security Contribution.

16. Information on the nature of costs and expenses recognized in the statement of profit or loss

The Company presented its statement of profit or loss classifying expenses based on their function. Information on the nature of expenses recognized in the statement of profit or loss is as follows:

	2018	2017
Contingencies	**(59)**	(5)
Depreciation and amortization	**(2,103)**	(687)
Rental expenses and condominium fees	**(8,608)**	(7,980)
Insurance expenses	**(1,095)**	(702)
Travel expenses	**(2,733)**	(784)
Raw materials and materials	**(39,450)**	(42,695)
Other expenses	**(2,192)**	(1,633)
Other revenues	**187**	187
Allowances for doubtful accounts on other receivables (Note 8)	**(3,067)**	-
Allowances for doubtful accounts on accounts receivable (Note 5)	**(1,131)**	-
Reversal (set up) of provision for impairment (Note 9)	**974**	(6,198)
Salaries and employee benefits	**(71,219)**	(52,925)
Third-party services	**(59,698)**	(44,563)
Sale of property, plant and equipment	**(2,995)**	(111)
Total	**(193,189)**	(158,096)
Cost of services	**(140,500)**	(141,548)
General and administrative expenses	**(44,836)**	(16,621)
Other operating income (expenses), net	**(7,853)**	73
	(193,189)	(158,096)

(In thousands of reais - R$, unless otherwise stated)

17. Finance income (costs)

	2018	2017
Finance income		
Financial income	**897**	1,249
Interest on intercompany loan (Note 6)	**2,622**	2,796
Other	**51**	69
	3,570	4,114
Finance costs		
Interest on loans	**(818)**	(1)
Interest on intercompany loan (Note 6)	**(370)**	-
Bank expenses	**(61)**	(41)
Fine on obligations	**(15)**	(82)
Tax on Financial Transactions (IOF)	**(216)**	(368)
Other finance costs	**(1)**	(191)
	(1,481)	(683)
Exchange gains (losses), net	**539**	-
Finance income (costs), net	**2,628**	3,431

18. Insurance

At December 31, 2018, the Company had insurance covering several risks, such as: engineering risks, construction, installation and assembly, civil liability and property damage, among others.

	2018	2017
Property damage	**13,118**	6,422
Engineering risk	**495,622**	652,247
Civil liability	**114,660**	69,400

The work scope of our auditor does not include expressing an opinion on the sufficiency of the insurance coverage, which was determined by Company management and considered sufficient to cover any losses.

19. Employee benefits

The Company has a private pension plan as defined contribution and, for the year ended December 31, 2018, the contribution was R$496 (R$130 at December 31, 2017), recorded in "Payroll, provisions and social contributions".

(In thousands of reais - R$, unless otherwise stated)

20. Financial instruments

20.1. Policy for taking out derivative financial instruments

Due to the financial obligations assumed by the Company, following guidelines established by the Board of Directors, derivative financial instruments may be taken out to minimize exchange and interest rate risks assumed from the operations, complying with exposure levels associated with those risks. As mentioned in Note 3.7, at December 31, 2018, the Company did not have derivative financial instruments.

20.2. Financial instruments by category

Significant financial instruments and their amounts stated in the financial statements, by category, are as follows: The book values of these financial instruments are shown below:

	Fair value hierarchy	Financial instruments by category	2018	2017
Financial assets				
Cash equivalents (Note 4)	2	Fair value in profit or loss	**7,506**	5,586
Marketable securities (Note 4)	2	Fair value in profit or loss	**-**	40,899
Accounts receivable - billed (Note 5)	2	Amortized cost	**7,908**	11,984
Transactions with related parties (Note 6)	2	Amortized cost	**68,786**	96,634
Financial liabilities				
Trade accounts payable	2	Amortized cost	**16,644**	11,700
Loans and financing (Note 11)	2	Amortized cost	**20,080**	3
Transactions with related parties (Note 6)	2	Amortized cost	**38,109**	450

For the determination of fair values of financial instruments and investments measured at fair value through profit or loss, at the end of each year, the Company calculates these amounts based on information available in the futures market, in addition to consulting financial institutions with which the transactions were conducted. There are no significant differences between book values and fair values of the financial instruments.

Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments through the measurement technique:

(In thousands of reais - R$, unless otherwise stated)

20. Financial instruments (Continued)

20.2. Financial instruments by category (Continued)

Fair value hierarchy (Continued)

Level 1: prices quoted (without adjustments) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the fair value recorded are observable, whether directly or indirectly;

Level 3: techniques using inputs that have a significant effect on the fair value recorded that are not based on observable market data.

For the year ended December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements or transfers between Level 3 and Level 2 fair value measurements. The Company uses Level 2 of the fair value hierarchy, as defined by CPC 39.

20.3. Exposure to currency risks

The significant balance denominated in foreign currency represented by the US dollar is as follows:

	2018	2017
Liabilities		
Transactions with related parties		
Camargo Corrêa Infra Projetos S.A. Colombian unit	**17,569**	-
Total liabilities exposed	**17,569**	-

20.4. Exposure to interest rate risks

The Company is exposed to floating interest rates and inflation indexes mainly related to CDI and SELIC fluctuations. Interest rates on short-term investments are mostly related to CDI fluctuation. These positions are shown below:

	2018	2017
Assets		
Cash equivalents and marketable securities		
CDI	**4,593**	42,102
SELIC	**-**	4,236
Liabilities		
Loans and financing		
TJLP	**205**	-

(In thousands of reais - R$, unless otherwise stated)

20. Financial instruments (Continued)

20.5. Sensitivity analysis

The sensitivity analysis of financial instruments, of changes in the Company's relevant assets and liabilities and of those exposed to CDI, TJLP fluctuations and the US dollar is as follows:

Transaction	Scenario 1	Scenario 2	Scenario 3
Exposure to variable rates			
Cash equivalents and marketable securities - CDI/SELIC	298	224	149
Finame – TJLP	14	11	7
Related parties - Libor	529	661	793
Related parties - US$	(339)	3,968	8,276

Scenario 1 is considered by management to best reflect its expectations, calculated based on financial market projections for the calculation of future amounts of the transactions above, taking into account a 12-month maturity. Due to the Company's position, scenario 2 considers a rate devaluation in relation to scenario 1 of 25% and scenario 3 a devaluation of 50%.

20.6. Liquidity risk

The Company's liquidity depends mainly on cash from operating activities, shareholder contributions and loans and financing from financial institutions. Liquidity risk management considers the assessment of liquidity requirements to ensure that the Company has sufficient cash to meet its capital and operating expenses, as well as for the payment of debts.

21. Additional information on cash flows

	2018	2017
Noncash financing and investment transactions		
Capital increase through asset split-off	**77,952**	114,883
Transfer of deferred income and social contribution taxes - property, plant and equipment split-off	**14,443**	17,777
Loan transfer due to property, plant and equipment split-off	**28,386**	-
Proposed dividends - matching of accounts with related parties	**4,408**	-
Other receivables - matching of accounts with related parties	**190**	-
Other obligations - matching of accounts with related parties	**6,403**	-
Transactions with related parties - matching of accounts with related parties	**11,001**	-