

Financial Statements

Camargo Corrêa Infra Construções S.A.

December 31, 2019
with Independent Auditor's Report

Camargo Corrêa Infra Construções S.A.

Financial statements

December 31, 2019

Contents

Independent auditor's report on financial statements	1
Audited financial statements	
Statement of financial position	4
Statement of profit or loss	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to financial statements	9



São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo - SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

Independent auditor's report on financial statements

The Shareholders, Board of Directors and Officers
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, 2019, and the statements of profit or loss, of comprehensive income, of changes in equity and of 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, 2019, and its financial performance and cash flows for the year then ended in accordance with the accounting practices described in Note 2.

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 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 10.b to the financial statements, which states Camargo Corrêa Infra Construções S.A. holds an indirect interest of 55% in Consórcio CCC Ituango (the “Consortium”), located in Medellín, in Colombia, which is engaged in the construction of the Ituango Hydroelectric Project. The contractual term of this project has ended without completion of such construction work due to the incidents that took place between April and May 2018. The Consortium has been negotiating with the counterparty and has entered into annual contractual amendments (the last one effective until June 2020 with extension permitted) to mitigate the effects of this claim, and continuing the services to complete the construction work will depend on the approval of new amendments to the agreement by the counterparty. Our opinion is not qualified in respect of this matter.



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 from 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 from 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:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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 the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Concluded 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.
- Evaluated 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.

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, May 27, 2020.

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

A handwritten signature in blue ink, appearing to read 'Cezar Augusto Ansoain de Freitas', is written over a faint, light blue circular stamp or watermark.

Cezar Augusto Ansoain de Freitas
Accountant CRC-1SP234620/O-4

Camargo Corrêa Infra Construções S.A.

Statement of financial position
December 31, 2019 and 2018
(In thousands of R\$, COP and US\$)

	Note	2019 US\$	2019 COP	2019 R\$	2018 R\$
Assets					
Current assets					
Cash and cash equivalents	4	23,491	77,042,311	94,685	7,506
Trade accounts receivable	5	45,690	149,847,030	184,162	33,498
Transactions with related parties	7	18,813	61,701,383	75,831	3,169
Inventories	6	6,146	20,157,852	24,774	2,172
Assets available for sale	8	442	1,449,146	1,781	4,333
Other receivables	9	9,051	29,685,110	36,483	10,498
Total current assets		103,633	339,882,832	417,716	61,176
Noncurrent assets					
Deferred income and social contribution taxes	14,b	-	-	-	429
Transactions with related parties	7	1,528	5,011,391	6,159	65,617
Other receivables	9	565	1,854,353	2,279	489
		2,093	6,865,744	8,438	66,535
Right of use	3,16	1,636	5,366,151	6,595	-
Investment	10	21,979	72,083,808	88,591	-
Property, plant and equipment	11	77,182	253,131,814	311,099	184,891
Intangible assets		5	15,460	19	42
Total noncurrent assets		102,895	337,462,977	414,742	251,468
Total assets		206,528	677,345,809	832,458	312,644
Liabilities and equity					
Current liabilities					
Trade accounts payable		9,864	32,349,878	39,758	16,644
Lease liabilities	3,16	1,575	5,165,989	6,349	-
Loans and financing	13	4,840	15,873,881	19,509	6,196
Transactions with related parties	7	1	2,441	3	2,981
Payroll, vacation and charges payable	12	12,222	40,082,994	49,262	7,889
Taxes payable		2,684	8,801,465	10,817	3,627
Advances from customers	15	39,725	130,283,157	160,118	261
Other obligations		475	1,563,059	1,921	1,901
Total current liabilities		71,386	234,122,864	287,737	39,499
Noncurrent liabilities					
Loans and financing	13	10,501	34,441,009	42,328	13,884
Lease liabilities	3,16	28	90,317	111	-
Deferred income and social contribution taxes	14,b	2,358	7,734,744	9,506	-
Transactions with related parties	7	10,156	33,307,567	40,935	35,128
Provision for labor, tax and civil contingencies	16	300	985,354	1,211	97
Total noncurrent liabilities		23,343	76,558,991	94,091	49,109
Equity					
Capital	17	130,328	427,432,872	525,315	259,710
Capital reserve		1,735	5,691,619	6,995	-
Accumulated losses		(20,264)	(66,460,537)	(81,680)	(39,674)
Total equity		111,799	366,663,954	450,630	220,036
Future capital contributions	17	-	-	-	4,000
Total equity		111,799	366,663,954	450,630	224,036
Total liabilities and equity		206,528	677,345,809	832,458	312,644

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of profit or loss

Years ended December 31, 2019 and 2018

(In thousands of R\$, COP and US\$, except for loss per share)

	Note	2019 US\$	2019 COP	2019 R\$	2018 R\$
Service revenue	18	58,904	193,186,330	237,426	115,033
Costs of services	19	(59,544)	(195,282,343)	(240,002)	(140,500)
Gross loss		(640)	(2,096,013)	(2,576)	(25,467)
Operating expenses					
General and administrative expenses	19	(12,295)	(40,322,213)	(49,556)	(44,836)
Other operating expenses, net	19	(981)	(3,216,436)	(3,953)	(7,853)
Equity pickup		(23)	(74,044)	(91)	-
Loss before finance income (costs)		(13,939)	(45,708,706)	(56,176)	(78,156)
Finance income	20	563	1,847,844	2,271	3,570
Finance costs	20	(1,351)	(4,430,431)	(5,445)	(1,481)
Foreign exchange difference, net	20	(600)	(1,969,081)	(2,420)	539
		(1,388)	(4,551,668)	(5,594)	2,628
Loss before income and social contribution taxes		(15,327)	(50,260,374)	(61,770)	(75,528)
Income and social contribution taxes					
Current	14,a	(237)	(777,868)	(956)	-
Deferred	14,a	5,120	16,793,328	20,639	25,374
Loss for the year		(10,444)	(34,244,914)	(42,087)	(50,154)
Basic and diluted loss per share	17	(0.37)	(1,213.22)	(1,49)	(1,84)

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of comprehensive income
Years ended December 31, 2019 and 2018
(In thousands of R\$, COP and US\$)

	Note	2019 US\$	2019 COP	2019 R\$	2018 R\$
Loss for the year		(10,444)	(34,244,914)	(42,087)	(50,154)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive income (loss) for the year		(10,444)	(32,244,914)	(42,087)	(50,154)

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of changes in equity
 Years ended December 31, 2019 and 2018
 (In thousands of R\$, COP and US\$)

	Note	Income reserves					Accumulated losses	Future capital contribution	Total equity
		Capital	Capital reserve	Legal reserve	Equipment renewal reserve	Retained profit reserve			
Balances at December 31, 2017		224,587	-	1,782	1,782	7,916	-	-	236,067
Dividend payment		-	-	-	-	(1,000)	-	-	(1,000)
Capital increase - net assets		35,123	-	-	-	-	-	-	35,123
Future capital contribution		-	-	-	-	-	-	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 at December 31, 2018		259,710	-	-	-	-	(39,674)	4,000	224,036
Effect of adoption of CPC 06 (R2) at January 1, 2019	3, 16	-	-	-	-	-	81	-	81
Capital increase	17	4,000	-	-	-	-	-	(4,000)	-
Merger of net assets	1, 17	261,605	6,995	-	-	-	-	-	268,600
Loss for the year		-	-	-	-	-	(42,087)	-	(42,087)
Balances at December 31, 2019 – R\$		525,315	6,995	-	-	-	(81,680)	-	450,630
Balances at December 31, 2019 – COP		427,432,872	5,691,619	-	-	-	(66,460,537)	-	366,663,954
Balances at December 31, 2019 – US\$		130,328	1,735	-	-	-	(20,264)	-	111,799

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Statement of cash flows

Years ended December 31, 2019 and 2018

(In thousands of R\$, COP and US\$)

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Cash flow from operating activities				
Loss before income and social contribution taxes	(15,327)	(50,260,374)	(61,770)	(75,528)
Adjustments to reconcile loss before income and social contribution taxes to net cash (used in) from operating activities				
Depreciation and amortization (Note 19)	2,009	6,589,097	8,098	2,103
Equity pickup (Note 10)	23	74,044	91	-
Reversal of provision for impairment - property, plant and equipment (Note 19)	367	1204,231	1,480	(974)
Allowance for expected credit losses (Note 19)	-	-	-	4,198
Accrued interest and charges (Note 20)	200	657,445	808	818
Interest on marketable securities (Note 20)	-	-	-	(239)
Interest on intercompany loans, net (Note 20)	164	537,022	660	(2,252)
Interest on lease	9	30,106	37	-
Recognition of provision for labor contingencies (Note 19)	310	1,015,460	1,248	91
Loss on disposal of property, plant and equipment (Note 19)	727	2,383,238	2,929	2,995
Decrease (increase) in operating assets				
Trade accounts receivable	(18,335)	(60,131,001)	(73,901)	(13,486)
Transactions with related parties	972	3,186,330	3,916	(5,904)
Inventories	(4,495)	(14,742,880)	(18,119)	(1,957)
Judicial deposits	-	-	-	136
Other receivables	(1,995)	(6,541,904)	(8,040)	(6,184)
Increase (decrease) in operating liabilities				
Trade accounts payable	2,589	8,489,829	10,434	4,944
Transactions with related parties	(146)	(480,065)	(590)	12,770
Payroll, vacation and charges payable	8,620	28,270,138	34,744	(1,615)
Taxes payable	1,208	3,963,385	4,871	1,399
Advances from customers	1,525	5,000,000	6,145	261
Other obligations and costs to be incurred	(33)	(107,404)	(132)	(6,630)
Cash used in operating activities	(21,608)	(70,863,303)	(87,091)	(85,054)
Interest paid on loans and financing	(173)	(566,314)	(696)	(825)
Net cash used in operating activities	(21,781)	(71,429,617)	(87,787)	(85,879)
Cash flow from investing activities				
Marketable securities	-	-	-	41,138
Acquisition of PP&E (Note 11)	(5,728)	(18,785,191)	(23,087)	(2,105)
Cash received due to merger (Note 1)	22,114	72,526,444	89,135	-
Cash from the disposal of property, plant and equipment	1,475	4,838,893	5,947	4,176
Net cash from investing activities	17,861	58,580,146	71,995	43,209
Cash flow from financing activities				
Intercompany loans	20,714	67,933,279	83,490	49,892
Loans and financing raised	6,847	22,457,282	27,600	-
Dividend payment (Note 17)	-	-	-	(1,000)
Future capital contribution (Note 17)	-	-	-	4,000
Lease liabilities paid (Note 3, 16)	(456)	(1,494,711)	(1,837)	-
Repayment of loans and financing	(1,559)	(5,111,473)	(6,282)	(8,302)
Net cash from financing activities	25,546	83,784,377	102,971	44,590
Increase in cash and cash equivalents	21,626	70,934,906	87,179	1,920
Cash and cash equivalents at beginning of year (Note 4)	1,865	6,107,405	7,506	5,586
Cash and cash equivalents at end of year (Note 4)	23,491	77,042,311	94,685	7,506

See accompanying notes.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements

December 31, 2019

(In thousands of R\$, COP and US\$, 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 of a contractor, performing management and other related 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 through concessions; (v) provision of public cleaning, environmental and urbanization services; (vi) provision of real estate management services; (vii) provision of waterway transportation and support services and port operation services; (viii) execution of technical civil engineering installations, industrial assembly; (ix) provision of consulting, planning and support services and technical studies; (x) representation, import, export, lease, purchase and sale of transportation equipment; (xi) studies and preparation of engineering projects (including basic and executive projects), provision of services of any nature in the field of consulting and/or design engineering, and provision of management and administration services in all fields and modalities of engineering; (xii) participation in bidding and/or tender procedures, either public or private, in Brazil or abroad, individually or in a consortium, at any of phase, in connection with any activities included in the Company's corporate purpose; (xiii) planning and execution of any activities related to and/or derived from those referred to in items (i) to (xii) above; (xiv) direct or indirect interest in the capital of other entities whose corporate purpose is similar to that of the Company, as well as the organization of consortiums.

Reorganization

At December 31, 2019 and 2018, the Company presented gross losses of R\$2,576 – US\$640 – COP2,096,013 and R\$25,467 – US\$6,573 – COP21,329,146, respectively. On December 30, 2019, with a view to simplifying the corporate structure and consequently increasing competitiveness, profitability and scale, the Company increased its capital through the merger of assets, rights and obligations of Camargo Corrêa Infra Participações S.A. ("CCI Part."), which was until then the parent of the Company (through a downstream merger), and of Camargo Corrêa Infra Projetos S.A. ("CCIP"), which was until then a related party also controlled by CCI Part., at the total book value of R\$268,600 – US\$66,640 – COP218,551,668, as shown below. Management understands that this new leaner corporate structure with more profitable projects will reverse the losses accumulated by the Company.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

1. Operations (Continued)

Reorganization (Continued)

	<u>12/30/2019</u> CCIP R\$	<u>12/30/2019</u> CCI Part R\$	Total R\$	Total US\$	Total COP
<u>Current assets:</u>					
Cash and cash equivalents	88,880	255	89,135	22,114	72,526,444
Trade accounts receivable	76,763	-	76,763	19,045	62,459,723
Inventory	4,483	-	4,483	1,112	3,647,681
Transactions with related parties	39,996	-	39,996	9,923	32,543,531
Assets available for sale	39	-	39	10	31,733
Other receivables	20,000	189	20,189	5,009	16,427,177
<u>Noncurrent assets:</u>					
Other receivables	636	-	636	158	517,494
Transactions with related parties	84,210	-	84,210	20,892	68,519,121
Investments (Note 10)	88,682	-	88,682	22,002	72,157,852
Property, plant and equipment (Note 11)	118,960	-	118,960	29,513	96,794,142
Right of use	3,243	-	3,243	805	2,638,731
Intangible assets	1	-	1	-	814
<u>Current liabilities:</u>					
Trade accounts payable	14,376	141	14,517	3,602	11,812,042
Loans and financing	6,289	-	6,289	1,560	5,117,168
Lease liabilities	3,152	-	3,152	782	2,564,687
Payroll, provisions and social contributions	6,585	44	6,629	1,645	5,393,816
Taxes payable	2,299	20	2,319	575	1,886,900
Advances from customers (Note 15)	153,712	-	153,712	38,135	125,070,789
Transactions with related parties	21,993	205	22,198	5,507	18,061,839
Other obligations	152	-	152	38	123,678
<u>Noncurrent liabilities:</u>					
Loans and financing – long term	14,038	-	14,038	3,483	11,422,295
Transactions with related parties	-	4,157	4,157	1,031	3,382,425
Deferred income and social contribution taxes	30,574	-	30,574	7,585	24,877,136
Net assets merged	272,723	(4,122)	268,600	66,640	218,551,668

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

2. Presentation of the financial statements

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which encompass the 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), except for conversion of financial statements to Colombian pesos (COP) and US dollars (US\$), as described in Note 3.17. The Company management presents all relevant information of the financial statements and this information corresponds to that 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, 2019.

The financial statements have been prepared on a historical cost basis, 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.

Management approved these financial statements for disclosure on March 30, 2020.

Estimates

The financial statements have been 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.

Significant items subject to these estimates and assumptions include review of costs and revenues from construction contracts, selection of useful lives and impairment 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.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices

The significant practices 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.

3.2. Trade accounts receivable and allowance for expected credit losses

These are stated at realizable values. They also include amounts not billed up to the reporting date of 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 expected credit losses is recorded based on the evaluation of the impact on future expected credit losses, pursuant to CPC 48 – Financial Instruments.

3.3. Inventories

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

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.4. Property, plant and equipment

Property, plant and equipment are stated at cost, less depreciation and impairment, where 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 measured on an annual basis. The Company depreciates machinery and equipment based on the hours effectively used. This procedure reflects the pattern of consumption of expected economic benefits. At December 31, 2019, with the help of a specialized company, the Company reviewed the recoverable amount of assets and recognized a provision for impairment, as described in Note 11.

3.5. Investments in subsidiaries

Investments in subsidiaries in which the Company has significant influence are recorded under the equity method.

Under the equity method, the investment is initially recorded at acquisition or buildup cost, and then adjusted for recognition of the Company's interest in profit or loss and other comprehensive income of the investee.

Gains and losses on equity interest in investees' profit or loss are presented in the Company's statement of profit or loss as equity pickup.

After the equity method is applied, the Company determines whether recognizing additional impairment of its investment is required. At each reporting date, the Company determines whether there is objective evidence of impairment of the investment in the subsidiary. If such evidence is identified, the Company calculates the impairment loss as the difference between the recoverable amount of the subsidiary and its carrying amount, and recognizes such amount in the statement of profit or loss.

When there is loss of control over a subsidiary, the Company evaluates and recognizes the investment at fair value at that time, and the difference is recognized in profit or loss for the year.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.6. Employee benefits

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

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.

Financial assets

Financial assets are classified in the following specific categories: (a) fair value through profit or loss; (b) fair value through other comprehensive income; and (c) amortized cost. The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

(a) *Fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they do not fall into the categories of amortized cost or fair value through other comprehensive income.

As of December 31, 2019 and 2018, the Company had cash and cash equivalents and marketable securities classified in this category.

(b) *Fair value through other comprehensive income*

Financial assets shall be measured at fair value through other comprehensive income when the objective of the business model is achieved by receiving the expected contractual cash flows and selling the financial assets, composed exclusively of principal and interest payments, and of sale of financial assets.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.7. Financial instruments (Continued)

Financial assets (Continued)

At December 31, 2019 and 2018, the Company did not have financial instruments classified in this category.

(c) *Financial assets at amortized cost*

A financial asset shall be measured at amortized cost when the objective of the business model is to maintain financial assets in order to receive contractual cash flows until the end of the contract, consisting exclusively of payments of principal and interest on the principal amount outstanding.

At December 31, 2019 and 2018, the Company had accounts receivable and related party transactions classified in this category.

Derecognition (write-off) of financial assets

A financial asset (or, where applicable, a part of a financial asset or part 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 pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Company has transferred substantially all the risks and rewards of the asset, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset, an asset is recognized to the extent of the Company's continuing involvement. In that 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 that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.7. Financial instruments (Continued)

Impairment test of financial assets

Expected credit losses are estimates weighted by the probability of credit losses based on historical losses and projections of related assumptions. ECLs are measured on one of the following bases:

- (a) 12-month ECLs: credit losses that result from default events that are possible within 12 months after the reporting date.
- (b) Lifetime ECLs: credit losses that result from default events that are possible over the expected life of a financial instrument.

Financial liabilities

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

(a) *Financial liabilities at fair value through profit or loss*

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.

At December 31, 2019 and 2018, the Company did not have financial instruments classified in this category.

(b) *Amortized cost*

Financial liabilities at amortized cost are those whose contractual cash flows are exclusively payments of principal and interest on the principal amount outstanding. The effective interest method is used to calculate the amortized cost of a financial liability and to allocate interest expenses during the corresponding period.

At December 31, 2019 and 2018, the Company had trade accounts payable and payables to related parties, as well as loans and financing classified in this category.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.7. Financial instruments (Continued)

Net presentation of financial assets and liabilities

Financial assets and financial liabilities are presented net in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to 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 hedging relationship. The Company had no derivative financial instruments at December 31, 2019 and 2018.

3.8. Construction contracts and onerous contracts

Service revenue is determined and recognized based on the development of each construction work. Revenue comprises the initial amount agreed in the contract plus changes 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 based on the POC of each project, pursuant to CPC 47. The costs of each contract are recognized as profit or loss for the period in which they are incurred, unless they determine an asset related to future contract activities.

The Company acts as the principal in its contracts, providing material and equipment procurement services (including direct billing), in accordance with contracts with its customers. The control of goods and services is the Company's responsibility under the contract.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.8. Construction contracts and onerous contracts (Continued)

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 work, 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.

3.9. Translation of foreign-currency balances and basis of translation of financial statements of the subsidiary based abroad

The Company's functional currency is the Brazilian Real (R\$), which is also the currency for preparation and presentation of the financial statements. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (R\$) using the exchange rate prevailing at the closing date.

Gains and losses resulting from the restatement of these assets and liabilities identified between the exchange rate prevailing on the transaction date and the year-end are recognized as finance income or costs in the statement of profit or loss.

The assets and liabilities of the subsidiary based abroad, whose functional currency is different from the Company's presentation currency and that has administrative autonomy, are translated at the exchange rate prevailing at the reporting date. Income and expenses are translated at the average exchange rate for each year and equity is translated at the historical exchange rate for each change in equity. Gains and losses arising from changes in this investment abroad are recognized directly in equity, under accumulated other comprehensive income in the "Equity adjustment" account, and will be recognized in profit or loss if such investment is disposed of or discontinued.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.9. Translation of foreign-currency balances and basis of translation of financial statements of the subsidiary based abroad (Continued)

At December 31, 2019, the subsidiary based abroad is the following:

<u>Investees</u>	<u>Functional currency</u>	<u>Country</u>
Camargo Corrêa Infra Projetos Colombia Unit	Colombian peso	Colombia

At December 31, 2019, the exchange rate used for translation was R\$0,001229, as disclosed by the Central Bank of Brazil.

3.10. 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 are impaired. If there is any such 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 carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized immediately in the statement of profit or loss.

3.11. Income and social contribution taxes

3.11.1. Current taxes

Income taxes include 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.

3.11.2. Deferred taxes

Deferred taxes arise from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences, except:

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.11. Income and social contributions taxes (Continued)

3.11.2. Deferred taxes (Continued)

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (or taxable loss).
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Derecognized deferred tax assets are reviewed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.12. 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.

3.13. Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities at the reporting date.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of nonfinancial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions for similar assets or market prices less incremental costs of disposing 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, 2019. The study considered a fair value analysis based on asset replacement costs and market value less costs to sell the asset.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

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

Estimates and assumptions (Continued)

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.

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

The 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 related to the interpretation of complex tax regulations and to the amount and timing of future taxable profits. 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 labor, civil 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.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

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

Estimates and assumptions (Continued)

Provisions for tax, civil and labor contingencies (Continued)

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 their determination process. The Company reviews its estimates and assumptions on a monthly basis.

3.14. 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.

3.15. Consolidated financial statements

The Company opted not to prepare the consolidated financial statements, as permitted by CPC 36 (R3) - Consolidated Financial Statements, since: (a) the Company is a wholly-owned subsidiary, and the parent company has no objection; (b) there are no equity or debt instruments traded on the open market, nor is there an IPO progress; and (c) the parent company will publish the consolidated financial statements in accordance with the CPC's accounting pronouncements.

3.16. New and revised standards and interpretations issued

The following new standards were approved and issued by the CPC, which came into force and were effectively adopted as of January 1, 2019. Other standards and interpretations apply for the first time in 2019, but have no impact on the Company's financial statements.

Management adopted the new pronouncements as described below:

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.16. New and revised standards and interpretations issued (Continued)

CPC 06 (R2) - Leases

On January 1, 2019, the Company adopted CPC 06(R2)/NBC TG 06 (R3), which introduces a single model for lessees to account for leases in the statement of financial position. A lessee recognizes a right-of-use asset that represents its right to use the leased asset and a lease liability that represents its obligation to make lease payments. Exemptions are available for short-term leases and low-value assets.

CPC 06 (R2) – Leases (Continued)

Leases in which the Company is a lessee

The Company recognized in assets (“Right of use in leases”) its lease contracts, mainly those relating to real estate, machinery and equipment and vehicles.

What was previously treated as a rental expense is now recorded as amortization of “rights of use” and interest on rental obligations is now disclosed as “Lease liabilities”. Consequently, EBITDA and operating income (expenses) were affected.

Transition

The Company applied CPC 06 (R2)/NBC TG 06 (R3) using the retrospective approach (item C5(b) of the pronouncement), recognizing the cumulative effect of initially applying this pronouncement as an adjustment to the opening balance of accumulated losses in the amount of R\$81, without the need to restate comparative information. In the transition, lease liabilities were measured at the present value of the remaining payments, discounted at the lessees’ incremental borrowing rate (nominal rate). The lease contracts’ term is 1 to 3 years on average.

The actual payment flows were estimated gross of taxes and the right-of-use assets were measured at an amount equal to the lease liability at present value.

In accordance with CPC 06 (R2)/NBC TG 06(R3), in measuring and remeasuring its lease liabilities and the right of use, respectively, the Company used the discounted cash flow method without considering future projected inflation in the flows to be discounted.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.16. New and revised standards and interpretations issued (Continued)

CPC 06 (R2) – Leases (Continued)

Transition (Continued)

The Company applied a practical expedient with respect to the definition of lease contracts during transition, i.e. it applied CPC 06 (R2)/NBC TG 06 (R3) to all contracts entered into before January 1, 2019 that were identified as leases in accordance with CPC 06 (R1) and ICPC 03.

The incremental borrowing rate (discount) used to calculate the present value of contracts was based on the projected CDI + current spread (nominal rate).

The reconciliation of the effects of the adoption of this accounting standard on the statement of financial position and changes in 2019 in the right of use and lease liabilities is as follows:

<u>Right of use in leases</u>				
Category	First-time adoption	Merger	Amortization (a)	Closing balance
Properties	294	776	(81)	989
IT equipment	39	-	(5)	34
Machinery and equipment	4,774	1,917	(1,669)	5,022
Vehicles	-	550	-	550
Total – R\$	5,107	3,243	(1,755)	6,595
Total – COP	4,155,411	2,638,731	(1,427,990)	5,366,151
Total – US\$	1,267	805	(435)	1,636

Category	First-time adoption	Merger	Payments	Interest (b)	Closing balance
Properties	283	745	(87)	2	943
IT equipment	39	-	(5)	-	34
Machinery and equipment	4,785	1,881	(1,745)	36	4,957
Vehicles	-	526	-	-	526
Total – R\$	5,107	3,152	(1,837)	38	6,460
Total – COP	4,155,411	2,564,687	(1,494,711)	30,919	5,256,306
Total – US\$	1,267	782	(456)	9	1,603

	R\$	COP	US\$
Classified as current	6,349	5,165,989	1,575
Classified as noncurrent	111	90,317	28

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

3.16. New and revised standards and interpretations issued (Continued)

ICPC 22 - Uncertainty Over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of CPC 32 and does not apply to taxes or levies outside the scope of CPC 32, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company management determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and considers the approach that better predicts the resolution of the uncertainty.

The Company management applies significant judgment in identifying uncertainties over income tax treatments. Considering that the Company management operates in a complex multinational environment, it assessed whether the interpretation had an impact on its individual financial statements.

Considering the aspects of ICPC 22, the Company management reviewed the judgments made in calculating income and social contribution taxes and concluded that no uncertain tax treatments were used in its financial statements, since all the procedures adopted for payment of income taxes are supported by the applicable legislation and case laws.

A series of new standards will be effective for annual periods beginning after January 1, 2020. The Company did not adopt those standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to references to the conceptual framework in the IFRS.
- Definition of a business (amendments to CPC 15/IFRS 3).
- Definition of material (amendments to CPC 26/IAS1 and 23/IAS 8).
- IFRS 17 Insurance Contracts.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

3.17. Convenience Conversion to US Dollars (US\$) and Colombian Pesos (COP)

The financial statements were prepared originally in Brazilian Reais. For convenience of the users, the financial statements of December 31, 2019 were translated to US dollars (US\$) and Colombian pesos (COP), at the exchange rate of R\$4,031 for US\$1.00 and R\$0.001229 for COP1.00, as of December 31, 2019. The purpose of translation is only for convenience of the users and should not be read as a declaration that the values in Brazilian Reais could be translated to US dollars and Colombian pesos or in any other currency.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

4. Cash and cash equivalents

	Cash and cash equivalents			
	2019	2019	2019	2018
	US\$	COP	R\$	R\$
Cash and banks	83	272,579	335	2,913
Exclusive fund	-	-	-	460
Fixed income fund	6,904	22,641,172	27,826	-
Bank Deposit Certificates (CDBs)	16,504	54,128,560	66,524	4,133
Total	23,491	77,042,311	94,685	7,506

At December 31, 2019, investments in CDBs held with prime Brazilian financial institutions had a return of 70% to 98.75% of the Interbank Deposit Certificate (CDI) (70% at December 31, 2018).

At December 31, 2019, the exclusive and fixed-income funds had a return of 70% to 100% (50% to 99.65% at December 31, 2018) of the CDI, and comprise substantially 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

Breakdown of accounts receivable

	2019	2019	2019	2018
	US\$	COP	R\$	R\$
Service provision – domestic – unbilled	35,969	117,962,571	144,976	26,721
Service provision – domestic – billed balances	10,002	32,804,719	40,317	7,908
Subtotal	45,971	150,767,290	185,293	34,629
Allowance for expected credit losses	(281)	(920,260)	(1,131)	(1,131)
Total	45,690	149,847,030	184,162	33,498

Aging list of accounts receivable

	2019	2019	2019	2018
	US\$	COP	R\$	R\$
Unbilled	35,969	117,962,571	144,976	26,721
Falling due	6,825	22,382,423	27,508	6,093
Overdue - 0 to 30 days	2,183	7,158,666	8,798	77
Overdue - 31 to 60 days	63	207,486	255	55
Overdue - 61 to 90 days	105	345,810	425	232
Overdue - 91 to 180 days	2	7,323	9	899
Overdue - Above 181 days	824	2,703,011	3,322	552
Total	45,971	150,767,290	185,293	34,629

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

5. Trade accounts receivable (Continued)

Changes in allowance for expected credit losses

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Balances at beginning of year	(281)	(920,260)	(1,131)	-
Recognition (Note 17)	-	-	-	(1,131)
Balances at end of year	(281)	(920,260)	(1,131)	(1,131)

6. Inventories

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Sundry materials used in construction	6,146	20,157,852	24,774	2,172
Total	6,146	20,157,852	24,774	2,172

7. Transactions with related parties

	Current assets		Noncurrent assets		Current liabilities		Noncurrent liabilities	
	2019	2018	2019	2018	2019	2018	2019	2018
<u>Services provided abroad</u>								
Consórcio CCC Ituango	105	-	-	-	-	-	-	-
<u>Reimbursement of costs</u>								
Construções e Comércio Camargo Corrêa S.A.	6,570	3,160	-	-	-	-	-	-
Instituto Camargo Correa	10	-	-	-	-	-	-	-
Camargo Corrêa Naval Part. Ltda.	-	9	-	-	-	-	-	-
<u>Dividends receivable</u>								
Camargo Corrêa Infra Projetos S.A. Colombia Unit	36,611	-	-	-	-	-	-	-
<u>Intercompany loan</u>								
Construções e Comércio Camargo Corrêa S.A. (a)	32,535	-	6,159	65,617	-	-	-	-
Camargo Corrêa Infra Projetos S.A. Colombia Unit (b)	-	-	-	-	-	-	40,935	17,569
Camargo Corrêa Infra Projetos S.A. (b)	-	-	-	-	-	-	-	17,559
<u>Accounts payable</u>								
Camargo Corrêa Infra Projetos S.A.	-	-	-	-	-	2,801	-	-
Consórcio Constr. São Lourenço	-	-	-	-	-	180	-	-
Camargo Corrêa Naval Part. Ltda.	-	-	-	-	3	-	-	-
Total – R\$	75,831	3,169	6,159	65,617	3	2,981	40,935	35,128
Total – COP	61,701,383	5,011,391	2,441	33,307,567				
Total – US\$	18,813	1,528	1	10,156				

(a) These represent loan agreements maturing in December 2020, bearing 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. (merged on December 30, 2019).

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

7. Transactions with related parties (Continued)

	Revenue		Expense	
	2019	2018	2019	2018
<u>Construction services</u>				
CCR - Conces. Sist. Anhanguera-Bandeirantes	-	15,967	-	-
Consórcio Const. São Lourenço	-	16,325	(1)	-
<u>Administrative services</u>				
Construções e Comércio Camargo Corrêa S.A.	-	4,746	(6,376)	-
Camargo Corrêa Infra Projetos S.A. – Colombia Unit	-	539	-	-
Camargo Corrêa Infra Projetos S.A.	-	-	-	(30)
Camargo Corrêa Energia e Indústria S.A.	-	-	-	(20)
Camargo Corrêa Naval Participações Ltda	32	53	-	-
<u>Interest on intercompany loan (Note 18)</u>				
Construções e Comércio Camargo Corrêa S.A.	1,403	189	-	-
Camargo Corrêa Infra Projetos S.A. - Colombia Unit	-	-	(2,063)	(167)
Camargo Corrêa Construções e Participações S.A.	-	2,433	-	-
Camargo Corrêa Infra Projetos S.A.	-	-	-	(203)
Total – R\$	1,435	40,252	(8,440)	(420)
Total – COP	1,167,616		(6,867,372)	
Total – US\$	356		(2,094)	

Management compensation is disclosed in Note 19.

8. Assets available for sale

These represent equipment and property, plant and equipment for trading. For the year ended December 31, 2019, the Company reclassified the amount of de R\$2,591 – US\$643 – COP2,108,218 (R\$3,764 in 2018) to PP&E, see Note 11.

On December 30, 2019, the balance of R\$39 – US\$10 – COP31,733 was merged as mentioned in Note 1.

Balance at December 31, 2018	4,333
Merger (Note 1)	39
Transfer to PP&E (Note 11)	(2,591)
Balance at December 31, 2019 – R\$	1,781
Balance at December 31, 2019 – COP	1,449,146
Balance at December 31, 2019 – US\$	442

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

9. Other receivables

	2019	2019	2019	2018
	US\$	COP	R\$	R\$
Advances to suppliers	585	1,918,633	2,358	1,804
Withholding tax	1,977	6,484,947	7,970	996
Social contribution tax	11	36,615	45	595
Service Tax (ISS)	1,025	3,362,083	4,132	-
Social Security Tax on Gross Revenue (CPRB)	314	1,030,919	1,267	-
Accounts receivable from consortia (a)	1,547	5,074,044	6,236	4,863
Accounts receivable from third parties (b)	1,203	3,944,670	4,848	2,446
Accounts receivable due to disposal of PP&E	710	2,327,095	2,860	75
Contractual retentions with customers	418	1,371,033	1,685	1,291
Prepaid vacation pay	64	208,299	256	347
Prepaid expenses (c)	2,191	7,185,517	8,831	1,167
Others	332	1,091,133	1,341	470
Subtotal	10,377	34,034,988	41,829	14,054
Allowance for expected credit losses (Note 19) (a)	(761)	(2,495,525)	(3,067)	(3,067)
Total	9,616	31,539,463	38,762	10,987
Classified in current assets	9,051	29,685,110	36,483	10,498
Classified in noncurrent assets	565	1,854,353	2,279	489
	9,616	31,539,463	38,762	10,987

(a) At December 31, 2019, this refers to advances of contributions to consortia in excess of the percentage of interest held by the Company, mainly to Corredor Bileo Soares R\$1,604 – US\$398 – COP1,305,126, Saneamento Billings R\$410 – US\$102 – COP333,605, Metro Linha 17 R\$349 – US\$87 – COP283,971 and Terminal de Itaquera R\$3,831 – US\$950 – COP3,117,168, for which an allowance for expected credit losses had been recognized.

(b) These refer to loan agreements with third parties bearing interest of 9,2% p.a.

(c) Refer substantially to engineering insurance policies.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

10. Investment

	Total equity interest (%)	Investee's data											
		Equity		Net income		Equity adjustment		Equity pickup		Investment balance			
		12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018		
Subsidiary													
Camargo Corrêa Infra Projetos S.A. – Colombia Unit (a) and (b)	100,00	-	88,591	-	91	-	-	-	91	-	88,591	-	-
Total – R\$									91		88,591		-
Total – COP									74,044		72,083,808		-
Total – US\$									23		21,979		-
Classified in noncurrent assets – Investment – R\$											88,591		-
Classified in noncurrent assets – Investment – COP											72,083,808		-
Classified in noncurrent assets – Investment – US\$											21,979		-

Changes in investments accounted for under the equity method:

	US\$	COP	R\$
Balance at December 31, 2018	-	-	-
Merger of investment (Note 1)	22,002	72,157,852	88,682
Equity pickup (after merger)	(23)	(74,044)	(91)
Closing balance at December 31, 2019	21,979	72,083,808	88,591

(a) For information on the investment merger, see Note 1.

(b) Camargo Corrêa Infra Construções S.A. has an indirect interest of 55% in Consórcio CCC Ituango (the "Consortium") located in Colombia, which is engaged in the construction in the Ituango Hydroelectric Power Plant. The deadline for the construction work completion was December 28, 2018. However, between April and May 2018, there were serious incidents that resulted in the obstruction of the Cauca river diversion tunnel, causing water impoundment, which suspended the originally engaged works. The Colombian Environmental Agency suspended the environmental license and halted the contractual term of this project; however, it allowed the Consortium to perform the contingency works to mitigate the effects of the incident until June 2019, which were duly formalized through contractual amendments (AMBs) entered into with the contracting party. From July 2019, the Consortium obtained a contractual amendment to perform the stabilization works until June 2020. Additionally, the Consortium has been making efforts to assess, meet and correct the damages caused as well as any services required to complete the work. On November 8, 2019, the Office of the Comptroller General of Colombia initiated the fiscal responsibility investigation process in connection with the facts relating to the tunnel obstruction, involving individuals and companies related to the Ituango Hydroelectric Power Plant project, in the approximate amount of R\$5 billion (for alleged destruction of investment value and for loss of profits). Up to now, the Consortium has been questioned only about the execution of discharge gallery construction works, since the environmental licenses are the responsibility of Hidro Ituango S.A. E.S.P and Empresas Públicas de Medellín. The Consortium's legal advisors evaluated this issue and consider the likelihood of loss remote and that there is no relationship between the discharge gallery works and the tunnel obstruction; in their opinion, the Office of the Comptroller General of Colombia must prove the existence of intentional misconduct or gross fault as well as that these were the cause of the disputed loss.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

11. Property, plant and equipment

	2019			2018
	Cost	Accumulated depreciation	Impairment	Residual cost
Machinery and equipment	387,918	(174,908)	(8,201)	132,754
Vehicles	160,553	(69,506)	(4)	51,195
IT equipment and others	2,664	(551)	-	24
Furniture and fixtures	1,014	(48)	-	4
Construction in progress	12,168	-	-	914
Total – R\$	564,317	(245,013)	(8,205)	184,891
Total – COP	459,167,616	(199,359,642)	(6,676,159)	253,131,814
Total – US\$	140,005	(60,787)	(2,036)	77,182

Changes in PP&E are as follows:

	US\$	COP	R\$
Balance at December 31, 2017	28,996	95,100,893	116,879
Additions	522	1,712,775	2,105
Increase through capital contribution	19,340	63,427,177	77,952
Write-offs	(1,779)	(5,834,825)	(7,171)
Depreciation	(517)	(1,694,060)	(2,082)
Provision for impairment (Note 19)	242	792,514	974
Transfer to intangible assets	-	(1,627)	(2)
Transfer to "assets held for sale" (Note 7)	(934)	(3,062,653)	(3,764)
Balance at December 31, 2018	45,870	150,440,194	184,891
Additions	5,728	18,785,191	23,087
Merger of assets (Note 1)	29,513	96,794,142	118,960
Write-offs	(2,195)	(7,197,722)	(8,846)
Depreciation	(2,006)	(6,580,146)	(8,087)
Provision for impairment (Note 19)	(367)	(1,204,231)	(1,480)
Transfer to intangible assets	(4)	(13,832)	(17)
Transfer to "assets held for sale" (Note 8)	643	2,108,218	2,591
Balance at December 31, 2019	77,182	253,131,814	311,099

12. Payroll, vacation and charges payable

	2019	2019	2019	2018
	US\$	COP	R\$	R\$
Accrued vacation pay and social charges	4,046	13,269,325	16,308	3,977
Social Security Tax (INSS)	1,714	5,621,644	6,909	793
Withholding Tax on salaries	921	3,021,969	3,714	1,309
Unemployment Compensation Fund (FGTS)	454	1,487,388	1,828	362
Provision for profit sharing	2,786	9,135,883	11,228	1,259
Salaries payable	2,180	7,148,088	8,785	87
Others	121	398,697	490	102
	12,222	40,082,994	49,262	7,889

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

13. Loans and financing

Modality	Maturity	Interest rate	12,31,2019	12,31,2019	12,31,2019	12,31,2018
			US\$	COP	R\$	R\$
FINAME	2024	3% to 10% p.a. / TJLP	8,464	27,759,967	34,117	20,080
CCB	2023	3% to 5% p.a. + 100% CDI	6,877	22,554,923	27,720	-
Total			15,341	50,314,890	61,837	20,080

Portion classified as current	4,840	15,873,881	19,509	6,196
Portion classified as noncurrent	10,501	34,441,009	42,328	13,884

FINAME - Government Fund for Financing of Industrial Machinery and Equipment.

CCB - Bank Credit Note.

TJLP - Long-Term Interest Rate. Applicable rate in 2019 of 5.57% (6.98% in 2018).

On December 30, 2019, the balance of R\$20,327 was merged as mentioned in Note 1.

At December 31, 2019, the aging list of noncurrent portions is as follows:

	US\$	COP	R\$
2021	5,591	18,336,046	22,535
2022	2,476	8,121,237	9,981
2023	2,384	7,818,552	9,609
2024	50	165,174	203
Total	10,501	34,441,009	42,328

Guarantees

In order to guarantee financing under the FINAME/BNDES modality, the equipment acquired were given as collateral.

In the above-mentioned loans and financing, there are no contractual clauses that require covenants.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

14. Current and deferred income and social contribution taxes

a) Reconciliation of income and social contribution taxes

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Loss before income and social contribution taxes	(15,325)	(50,260,374)	(61,770)	(75,528)
Rates (15% for income tax, plus 10% surtax, and 9% for social contribution tax)	34%	34%	34%	34%
Income and social contribution taxes at statutory rates	5,211	17,088,527	21,002	25,680
Adjustments to determine effective income and social contributions taxes:				
Nondeductible donations	-	-	-	(209)
Consortium expenses	(14)	(45,686)	(56)	(28)
Executive board fees	(30)	(98,893)	(122)	-
Other nondeductible expenses	(6)	(18,388)	(23)	(10)
Others	(277)	(909,913)	(1,118)	(59)
	4,884	16,015,647	19,683	25,374
Current income and social contribution tax expenses	(237)	(777,868)	(956)	-
Deferred income and social contribution tax credits	5,120	16,793,328	20,639	25,374

b) Deferred income and social contribution taxes

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Assets:				
Income and social contribution tax losses	10,334	33,892,596	41,654	26,679
Temporary differences:				
Provisions for third-party services	1,714	5,621,644	6,909	1,768
Provision for profit sharing	947	3,106,591	3,818	428
Provision for contingencies	108	354,760	436	33
Allowance for doubtful accounts (Note 17)	354	1,161,920	1,428	1,428
Impairment adjustments - Law No. 11638/07	692	2,270,138	2,790	1,776
Others	240	781,122	960	-
Noncurrent assets	14,389	47,188,771	57,995	32,112
Liabilities:				
Unrealized profits - government agencies	272	890,968	1,095	291
Effects of the adoption of IN-1771/17 – direct billing	2,679	8,785,191	10,797	-
PP&E useful life difference	13,796	45,247,356	55,609	31,392
Noncurrent liabilities	16,474	54,923,515	67,501	31,683
Net balance in noncurrent assets	-	-	-	429
Net balance in noncurrent liabilities	2,358	7,734,744	9,506	-

The realization of deferred income and social contribution taxes has an expected term of less than ten years, according to economic or financial realization. At December 31, 2019, deferred taxes include CCIP's merged balances as shown in Note 1.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

15. Advances from customers

	2019	2019	2019	2018
	US\$	COP	R\$	R\$
Advances from customers – IN 21/79 (*)	37,066	121,563,059	149,401	261
Advances from customers	2,659	8,720,098	10,717	-
Total	39,725	130,283,157	160,118	261

(*) The Company recognizes amounts received before performing the corresponding services, which are recorded in POC contracts as advances from customers. In 2019, they include works in progress of the companies merged during the year, totaling R\$153,712 – US\$38,135 – COP125,070,789 (Note 1), mainly: Transmission Line Lot 18 (R\$123,715 – US\$30,693 – COP100,663,141), Transmission Line Lot 21 (R\$8,864 – US\$2,199 – COP7,212,368), Transmission Line Lot (R\$5,592 – US\$1,387 – COP4,550,041), PBTE-Piratininga Bandeirantes (R\$4,803 – US\$1,192 – COP3,908,055), Consórcio Metro Linha 17 (R\$3,664 – US\$909 – COP2,981,286) and Consórcio BRT Salvador (R\$2,564 – US\$636 – COP2,086,249).

16. 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\$1,211 – US\$300 – COP985,354 (R\$97 at December 31, 2018) considered sufficient to cover probable losses for ongoing lawsuits.

At December 31, 2019, the Company has claims classified as possible losses for which no provisions for contingencies have been recorded: R\$4,375 – US\$1,085 – COP3,559,805 (R\$315 at December 31, 2018) in labor claims, referring to joint liability, differences in overtime and effects on severance pay; R\$831 – US\$206 – COP676,159 (R\$659 at December 31, 2018) in tax claims, substantially related to Service Tax (ISS); and R\$918 – US\$228 – COP746,949 in civil claims, referring substantially to indemnities for property damages and pain and suffering.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

17. Equity

Capital

At December 31, 2019, the Company capital totals R\$525,315 – US\$130,328 – COP427,432,872 (R\$259,710 at December 31, 2018), divided into 28,226,525 registered common shares, with no par value, in 2019 and 2018.

On December 30, 2019, the Company absorbed the net assets of the merger of Camargo Corrêa Infra Projetos S.A. and Camargo Corrêa Infra Participações S.A. at the book value of R\$268,600 – US\$66,640 – COP218,551,668 (Note 1), of which R\$261,605 – US\$64,905 – COP212,860,049 as a capital increase approved at the Annual General Meeting (AGM) held on that date, and R\$6,995 – US\$1,735 – COP5,691,619 as capital reserve referring to profit or loss of the merged companies for the period from December 1 to December 30, 2019, since the capital increase was based on November 30, 2019. The use of the capital reserve will be decided at the next AGM, On April 1, 2019, the future capital contribution made by shareholder Camargo Correa Infra Participações S.A., amounting to R\$4,000 – US\$992 – COP3,254,679, was capitalized.

Capital reserve

At December 31, 2019, R\$6,995 – US\$1,735 – COP5,691,619 were allocated to capital reserve.

Legal reserve

Recorded at the proportion of 5% of net income for the year, if any, subject to the limit established by law, At December 31, 2019 and 2018, the Company did not recognize reserves due to losses for the years.

Dividends

Shareholders are entitled to minimum dividends of 25% of adjusted net income for each fiscal year, as defined in the Articles of Incorporation and the Brazilian Corporation Law. At December 31, 2019 and 2018, the Company did not recognize dividends due to losses for the years.

Future capital contribution

On April 1, 2019, the future capital contribution made by shareholder Camargo Correa Infra Participações S.A., amounting to R\$4,000 – US\$992 – COP3,254,679, was capitalized.

Loss per share – in Reais

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

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

17. Equity (Continued)

Loss per share – in Reais (Continued)

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Numerator				
Allocation of net loss for the year to shareholders	(10,444)	(34,244,914)	(42,087)	(50,154)
Denominator				
Weighted average number of shares	28,226,525	28,226,525	28,226,525	27,326,370
Basic and diluted loss per share – in Reais	(0.37)	(1,213.22)	(1.49)	(1.84)

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.

18. Revenue

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Gross service revenue – domestic (*)	63,167	207,166,802	254,608	124,598
Deductions from revenue				
PIS and COFINS(**)	(1,794)	(5,883,645)	(7,231)	(4,677)
ISS(**)	(2,469)	(8,096,827)	(9,951)	(4,140)
Social Security Contribution (**)	-	-	-	(748)
Total	58,904	193,186,330	237,426	115,033

(*) The Company acts as the principal in its contracts, providing material and equipment procurement services (including direct billing), in accordance with contracts with its customers. The control of goods and services is the Company's responsibility under the contract.

(**) 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.

19. 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 such expenses recognized in the statement of profit or loss is as follows:

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

19. Information on the nature of costs and expenses recognized in the statement of profit or loss (Continued)

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Provision for labor, tax and civil contingencies	(312)	(1,015,459)	(1,248)	(59)
Depreciation and amortization	(2,009)	(6,589,097)	(8,098)	(2,103)
Amortization - right of use	(435)	(1,427,990)	(1,755)	-
Rental expenses and condominium fees	(2,730)	(8,953,621)	(11,004)	(8,608)
Insurance expenses	(307)	(1,007,323)	(1,238)	(1,095)
Travel expenses	(1,468)	(4,815,297)	(5,918)	(2,733)
Raw materials and materials (*)	(18,891)	(61,956,062)	(76,144)	(39,450)
Allowance for expected credit losses on other receivables (Note 9)	-	-	-	(3,067)
Allowance for expected credit losses on accounts receivable (Note 5)	-	-	-	(1,131)
Reversal (set up) of provision for impairment (Note 11)	(367)	(1,204,231)	(1,480)	974
Management compensation (Note 7)	(160)	(523,190)	(643)	-
Salaries and employee benefits	(29,171)	(95,670,464)	(117,579)	(71,219)
Third-party services	(15,921)	(52,216,436)	(64,174)	(59,698)
Sale of property, plant and equipment	(727)	(2,383,238)	(2,929)	(2,995)
Other expenses	(378)	(1,240,846)	(1,525)	(2,192)
Other revenues	56	182,262	224	187
Total	(72,820)	(238,820,992)	(293,511)	(193,189)
Cost of services	(59,544)	(195,282,343)	(240,002)	(140,500)
General and administrative expenses	(12,295)	(40,322,213)	(49,556)	(44,836)
Other operating expenses, net	(981)	(3,216,436)	(3,953)	(7,853)
	(72,820)	(238,820,992)	(293,511)	(193,189)

(*) The Company acts as the principal in its contracts, providing material and equipment procurement services (including direct billing), in accordance with contracts with its customers. The control of goods and services is the Company's responsibility under the contract.

20. Finance income (costs)

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Finance income				
Financial yield	148	485,761	597	897
Interest on intercompany loan (Note 7)	348	1,141,579	1,403	2,622
Others	67	220,504	271	51
	563	1,847,844	2,271	3,570
Finance costs				
Interest on loans	(200)	(657,445)	(808)	(818)
Interest on intercompany loan (Note 7)	(512)	(1,678,600)	(2,063)	(370)
Bank charges	(20)	(66,721)	(82)	(61)
Fine on obligations	(4)	(14,646)	(18)	(15)
Tax on Financial Transactions (IOF)	(319)	(1,044,752)	(1,284)	(216)
Present value adjustment of lease liabilities (Note 3,16)	(9)	(30,919)	(38)	-
Other finance costs	(287)	(937,348)	(1,152)	(1)
	(1,351)	(4,430,431)	(5,445)	(1,481)
Foreign exchange difference, net (*)	(600)	(1,969,081)	(2,420)	539
Finance income (costs), net	(1,388)	(4,551,668)	(5,594)	2,628

(*) The foreign exchange difference refers to intercompany loan agreements with the Colombia Unit amounting to USD10,2 MM (see Note 7).

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

21. Insurance

At December 31, 2019 and 2018, the Company had insurance covering several risks, such as: engineering risks, construction, installation and assembly, civil liability and property damage, among others.

	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>COP</u>	<u>R\$</u>	<u>R\$</u>
Sundry risks	4,962	16,273,393	20,000	-
Property damage	17,092	56,055,330	68,892	13,118
Engineering risk	406,048	1,331,699,756	1,636,659	495,622
Civil liability	41,088	134,754,272	165,613	114,660

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

22. Employee benefits

The Company has a private pension plan of the defined contribution type and, for the year ended December 31, 2019, the contribution amounted to R\$644 – US\$160 – COP524,003 (R\$496 at December 31, 2018), recorded in "Payroll, provisions and social contributions".

23. Financial instruments

23.1. Policy for taking out derivative financial instruments

Due to the financial obligations assumed by the Company, following the guidelines established by the Board of Directors, derivative financial instruments may be taken out to mitigate currency and interest rate risks assumed due to the transactions, in line with the exposure levels associated with those risks. As mentioned in Note 3.8, at December 31, 2019, the Company did not have any derivative financial instruments.

23.2. Financial instruments by category

The main financial instruments and their amounts stated in the financial statements, by category, are described below.

The carrying amounts of such financial instruments are as follows:

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

23. Financial instruments (Continued)

23.2. Financial instruments by category (Continued)

	Fair value hierarchy	Financial instruments by category	2019	2019	2019	2018
			US\$	COP	R\$	R\$
Financial assets						
		Fair value through				
Cash equivalents (Note 4)	2	profit or loss	23,491	77,042,311	94,685	7,506
Accounts receivable - billed (Note 5)	2	Amortized cost	10,002	32,804,719	40,317	7,908
Transactions with related parties (Note 7)	2	Amortized cost	20,341	66,712,774	81,990	68,786
Financial liabilities						
Trade accounts payable	2	Amortized cost	9,864	32,349,878	39,758	16,644
Loans and financing (Note 13)	2	Amortized cost	15,341	50,314,890	61,837	20,080
Transactions with related parties (Note 7)	2	Amortized cost	10,157	33,310,008	40,938	38,109

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 entered into.

There are no significant differences between the carrying 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:

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 material effect on the recorded fair value are observable, either directly or indirectly;

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

For the year ended December 31, 2019, 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.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

23. Financial instruments (Continued)

23.3. Exposure to currency risks

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

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Assets				
Transactions with related parties				
Camargo Corrêa Infra Projetos S.A. Colombia Unit	9,083	29,789,260	36,611	-
Total assets exposed	9,083	29,789,260	36,611	-
Liabilities				
Transactions with related parties				
Camargo Corrêa Infra Projetos S.A. Colombia Unit	10,156	33,307,567	40,935	17,569
Total liabilities exposed	10,156	33,307,567	40,935	17,569
Net exposure	1,073	3,518,307	4,324	17,569

23.4. 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:

	2019 US\$	2019 COP	2019 R\$	2018 R\$
Assets				
Cash equivalents and marketable securities				
CDI	23,408	76,769,732	94,350	4,593
Liabilities				
Loans and financing				
TJLP (a)	320	1,048,007	1,288	205
CDI	6,877	22,554,923	27,720	-

(a) The other loans and financing are pegged to fixed income or CDI,

23.5. Sensitivity analysis

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

Transaction	Scenario 1	Scenario 2	Scenario 3
Exposure to variable rates			
Cash equivalents and marketable securities - CDI/SELIC	3,020	2,265	1,510
FINAME - TJLP	69	86	103
Related parties - Libor	632	790	947
Related parties - US\$	(707)	197	1,102

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

23. Financial instruments (Continued)

23.5. Sensitivity analysis (Continued)

Scenario 1 considers the following:

- CDI: the Futures and Commodities Exchange (BMF) curve as of the reporting date (12/31/2019), considering the 360-day vertex of the curve, calculating net assets and liabilities.
- Libor: 12-month Libor (12/31/2019)
- TJLP: Based on TJLP BNDES + IPCA projection by Focus at 12/31/2019

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%,

23.6. Liquidity risk

The Company's liquidity depends mainly on cash from operating activities, shareholders' 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 to pay its debts.

24. Events after the reporting period

At the beginning of 2020, a new virus (COVID-19) spread across the world, resulting in several actions taken by different countries to curb the spread of the virus. Such actions include, among others, restrictions on crowding and travel. Brazil is among the countries with cases of COVID-19, which has been causing severe volatility in the Brazilian market as well as uncertainties about the country's Gross Domestic Product (GDP) for 2020.

Management has been monitoring this matter and the impact on ongoing projects is still unclear.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

25. Supplementary information – Combined financial statements

As mentioned in Note 1, on December 30, 2019, the Company merged Camargo Correa Infra Projetos and Camargo Correa Participações into Camargo Correa Construções. This initiative improves efficiency, streamlines the management and monitoring of P&L, and provides synergy to operations and management. Consequently, all profit or loss for 2019 of the merged companies was allocated to the equity of the merging company (Camargo Corrêa Infra Construções S.A.). For the convenience of users of the financial statements, we present below the combined statements of financial position and of profit or loss of all operating companies that are part of CCIC for the year ended December 31, 2019. The statements of financial position and of profit or loss of Ituango, herein called “CCCO”, were also included in these combined financial statements. This information have been prepared by the Company based on the audited statements.

The scope of our auditors’ work does not include issuing an opinion on this supplementary information, as this disclosure is not required by the accounting practices adopted in Brazil.

Statement of financial position at December 31, 2019

(In thousands of R\$, COP and US\$)

	2019					
	CCIC R\$	CCCO (Colombia) R\$	Eliminations R\$	Combined R\$	Combined US\$	Combined COP
Assets						
Current assets						
Cash and cash equivalents	94,685	13,389	-	108,074	26,813	87,936,534
Trade accounts receivable	184,162	130,571	(40,935)	273,798	67,928	222,781,123
Transactions with related parties	75,831	-	(36,611)	39,220	9,730	31,912,124
Inventories	24,774	12,088	-	36,862	9,145	29,993,491
Assets available for sale	1,781	-	-	1,781	442	1,449,146
Other receivables	36,483	1,037	-	37,520	9,309	30,528,885
Total current assets	417,716	157,085	(77,546)	497,255	123,367	404,601,303
Noncurrent assets						
Transactions with related parties	6,159	-	-	6,159	1,528	5,011,391
Other receivables	2,279	2,706	-	4,985	1,237	4,056,143
	8,438	2,706	-	11,144	2,765	9,067,534
Investment	88,591	-	(88,591)	-	-	-
Property, plant and equipment	311,099	21,131	-	332,230	82,425	270,325,468
Intangible assets	19	-	-	19	5	15,460
Right of use	6,595	-	-	6,595	1,636	5,366,151
Total noncurrent assets	414,742	23,837	(88,591)	349,988	86,831	284,774,613
Total assets	832,458	180,922	(166,137)	847,243	210,198	689,375,916

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

25. Supplementary information – Combined financial statements (Continued)

Statement of financial position at December 31, 2019 (Continued)

	2019					
	CCIC R\$	CCCO (Colombia) R\$	Eliminations R\$	Combined R\$	Combined US\$	Combined COP
Liabilities and equity						
Current liabilities						
Trade accounts payable	39,758	4,160	-	43,918	10,896	35,734,744
Loans and financing	19,509	-	-	19,509	4,840	15,873,881
Transactions with related parties	3	-	-	3	1	2,441
Payroll, vacation and charges payable	49,262	10,607	-	59,869	14,853	48,713,588
Taxes payable	10,817	21,069	-	31,886	7,911	25,944,670
Advances from customers	160,118	-	-	160,118	39,725	130,283,157
Lease liabilities	6,349	-	-	6,349	1,575	5,165,989
Other obligations	1,921	56,495	(36,611)	21,805	5,411	17,742,068
Total current liabilities	287,737	92,331	(36,611)	343,457	85,212	279,460,538
Noncurrent liabilities						
Loans and financing	42,328	-	-	42,328	10,501	34,441,009
Lease liabilities	111	-	-	111	28	90,317
Deferred income and social contribution taxes	9,506	-	-	9,506	2,358	7,734,744
Transactions with related parties	40,935	-	(40,935)	-	-	-
Provision for labor, tax and civil contingencies	1,211	-	-	1,211	300	985,354
Total noncurrent liabilities	94,091	-	(40,935)	53,156	13,187	43,251,424
Equity						
Capital	525,315	15,738	(15,738)	525,315	130,328	427,432,872
Capital reserve	6,995	-	-	6,995	1,735	5,691,619
Accumulated losses	(81,680)	72,853	(72,853)	(81,680)	(20,264)	(66,460,537)
Total equity	450,630	88,591	(88,591)	450,630	111,799	366,663,954
Total liabilities and equity	832,458	180,922	(166,137)	847,243	210,198	689,375,916

The balances of the statements of financial position of the companies merged into Camargo Corrêa Infra Construções S.A. are broken down in Note 1.

Camargo Corrêa Infra Construções S.A.

Notes to financial statements (Continued)

December 31, 2019

(In thousands of R\$, COP and US\$, unless otherwise stated)

25. Supplementary information – Combined financial statements (Continued)

Statement of profit or loss

Year ended December 31, 2019

(In thousands of R\$, COP and US\$)

	2019							
	CCIC	CCIP	CCI Part,	CCCO	Eliminations	Combined	Combined	Combined
	R\$	R\$	R\$	(Colombia) R\$				
(1)	(2)	(3)		R\$	R\$	US\$	COP	
Service revenue	237,426	945,854	-	396,201	-	1,579,481	391,863	1,285,175,753
Costs of services	(240,002)	(858,830)	-	(310,037)	-	(1,408,869)	(349,535)	(1,146,353,946)
Gross (loss) profit	(2,576)	87,024	-	86,164	-	170,612	42,328	138,821,807
Operating expenses								
General and administrative expenses	(49,556)	(61,808)	(3,718)	(5,639)	-	(120,721)	(29,950)	(98,227,014)
Other operating expenses, net	(3,953)	(2,008)	-	14,126	-	8,165	2,026	6,643,613
Equity pickup	(91)	63,663	36,527	-	(100,099)	-	-	-
(Loss) income before finance income (costs)	(56,176)	86,871	32,809	94,651	(100,099)	58,056	14,404	47,238,406
Finance income	2,271	3,180	9	5,253	(3,272)	7,441	1,846	6,054,625
Finance costs	(5,445)	(1,584)	(111)	(3,130)	3,272	(6,998)	(1,736)	(5,694,170)
Foreign exchange difference, net	(2,420)	86	-	-	-	(2,334)	(579)	(1,899,105)
	(5,594)	1,682	(102)	2,123	-	(1,891)	(469)	(1,538,650)
(Loss) income before income and social contribution taxes	(61,770)	88,553	32,707	96,774	(100,099)	56,165	13,935	45,699,756
Income and social contribution taxes								
Current	(956)	(248)	-	(32,409)	-	(33,613)	(8,339)	(27,349,878)
Deferred	20,639	(8,378)	-	707	-	12,968	3,217	10,551,668
Net (loss) income for the year	(42,087)	79,927	32,707	65,072	(100,099)	35,520	8,813	28,901,546

- 1) Company remaining from the corporate reorganization process that took place on December 30, 2019, as described in Note 1.
- 2) Company merged into CCIC on December 30, 2019.
- 3) Company merged into CCIC on December 30, 2019.